



NIKON REPORT 2015

Year Ended March 31, 2015



Aiming for the Nikon Group's Ongoing Growth over the Next Century, Embarking on Transformation

In June 2014, Nikon Corporation announced "**Next 100 – Transform to Grow,**" its Medium-Term Management Plan, and set out the changes to be made to its business portfolio to transform the Company into a corporate entity capable of realizing growth over the next 100 years.

In the fiscal year ended March 31, 2015, the Company adhered to the plan's policies and, while earnestly addressing resolutions to current issues, made progress with the transformation toward rebuilding its business portfolio. In addition to conveying the progress made with this transformation, from the perspectives of President Kazuo Ushida and the directors responsible at each division and business unit, *Nikon Report 2015* 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.

* For this report, we have selected and edited financial information that is linked to our business activities as well as information of a non-financial nature. More detailed information concerning our CSR activities is available on our website: <http://www.nikon.com/about/csr/>

Next 100 - Transform

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.

to Grow

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 annual 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.

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Management Message

Transforming into a corporate entity capable of realizing sustainable growth with “Trustworthiness and Creativity” as our base

In the fiscal year ended March 31, 2015, consolidated net sales decreased 12.5% year on year, to ¥857.7 billion, and operating income fell 31.0%, to ¥43.4 billion. These declines were due to a decrease in the number of units sold in the Precision Equipment Business and delayed recoveries in the European and Chinese markets in the Imaging Products Business. However, in the three fields that are positioned as growth businesses—Medical, Microscope Solutions, and Industrial Metrology—marked progress was recorded in establishing these fields as the cornerstones of development in the coming years.

While placing importance on our corporate philosophy of “Trustworthiness and Creativity,” we are making ongoing efforts with “Next 100—Transform to Grow,” our Medium-Term Management Plan, and will continue to reform to create a new growth track for the entire Nikon Group.

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

Makoto Kimura

Chairman of the Board
Representative Director



Junichi Itoh

Senior Executive Vice President, CFO
Representative Director



Kazuo Ushida

President
Representative Director



To Our Stakeholders

Fully aware that we will be marking the 100th anniversary of our establishment in 2017, I am working to position 2017 as a year of regrowth for the Nikon Group and to create the foundation for that regrowth. In a determined manner, I will lead the transformation needed to make the Nikon Group into a corporate entity that will continue to grow over the next 100 years.

Kazuo Ushida
President
Representative Director



■ Summary of Fiscal Year Ended March 31, 2015

Although there were harsh consequences, we made progress during the year in business areas that needed to be expanded

In the fiscal year ended March 31, 2015, a year-on-year decline resulted in both sales and income for the Nikon Group. In summary of the fiscal year, a clear division existed between businesses that progressed as planned and those that did not.

First, the businesses that progressed as planned were those that are positioned as growth businesses—Medical, Microscope Solutions, and Industrial Metrology. In the Medical Business, we commenced procedures to acquire Optos Plc, the U.K. retina diagnostic imaging equipment company that was made a wholly owned subsidiary in May 2015. Possessing cutting-edge optical technologies, Optos has a solid footing in the fundus camera market with optical coherence tomography (OCT) technologies at its disposal. Optos is a leading company in the retina diagnostic imaging equipment market. In addition to leveraging our core competency in optical technologies in Optos' retina diagnostic imaging equipment, we will draw on the expertise and know-how of Optos. Not confining ourselves to the acquisition of Optos, we plan to expand as a business entity by accelerating our approaches in other external diagnostic fields.

In the Microscope Solutions Business, we signed a strategic collaboration agreement with Lonza, of Switzerland, the world's largest manufacturer of cells for regenerative medicine therapeutics. The agreement covers the contract manufacturing of cell products for regenerative medicine in Japan. We are engaged in preparations to enter this business. While incorporating the know-how in high-quality cell manufacturing technologies that Lonza possesses, we are targeting business development that leverages Nikon's core technologies in optics and image analysis, and we will aim to expand our business base into peripheral areas.

In the Industrial Metrology Business, we started the transformation from a focus on hardware to a business model based on solution proposals. By establishing a division to conduct marketing activities, including investigations into market needs, the business unit further strengthened its capabilities to realize a variety of requests, including customer requests for cost reductions. This move has already borne fruit in the form of increases in orders.

In contrast, those businesses that did not progress according to plan were the existing businesses: Imaging Products and Semiconductor Lithography. In the Imaging Products Business, market recovery was delayed in Europe and China, and the number of units sold in all product categories was down from the previous fiscal year, including of digital cameras—interchangeable lens type. In the Semiconductor Lithography Business, despite progress made with cost reductions, the number of units sold was also down from the previous fiscal year. As a result, the Imaging Products Business and the Precision Equipment Business, which comprises the Semiconductor Lithography Business and the FPD Lithography Business, recorded year-on-year decreases in sales and income.

To Our Stakeholders

Despite a significant decrease in the number of units sold due to a shrinking market, the FPD Lithography Business secured high profits thanks to its ability to maintain strong competitiveness.

For details on each business, please refer to the "Overview of Divisions and Business Units" on pages 16 to 29.

Shifting to a management style that acts with speed in reorganization of corporate structure; Challenges in strengthening of software aspects due to reforming of mind-set

In June 2014, the Group underwent a major shift from being an in-house company system to a divisional organization, and it was able to bring about a strengthening of human resources in growth fields by centralizing authority over personnel issues at corporate headquarters. In the Medical Business, for example, the number of personnel doubled within one year. In situations in which major management decisions were required, the subjects of discussions at the business unit level were immediately passed along to senior management. I am aware of the improvement in the speed of passing information on compared with the previous in-house company system. We have also reached the stage where my own thoughts as president are directly conveyed to the front line, and I sense that the communication of intentions has become smoother.

On the other hand, challenges have arisen. Among the strengths of the Company are its technological capabilities and the trustworthiness of its products, but the origins of ideas still tend to be biased toward hardware. With regard to the world's wide variety of needs, a strengthening of software aspects, including the creation of systems and solution proposals, is now being pursued by the Company.

Another major challenge is reforming the mind-set of the employees. I place great store in "curiosity," by which we attempt to actively make contacts outside the Company; "affinity," by which we flexibly incorporate technologies and ideas from outside the Company; and "communication skills." One example is targeting the direction of the technology with which we are engaged or the direction derived through thinking for those inside and outside the Company. To extend one's own area of activity and raise the growth capabilities of the entire Nikon Group, the pressing issue is to strengthen these three qualities of our employees.

■ Medium-Term Management Plan

On the basis of results and business environment forecasts, review management's numerical targets

Based on the final results of its first fiscal year and the severity of the business environment that is forecasted in the years ahead, we announced revisions to the Medium-Term Management Plan's numerical targets in June 2014. However, having rebuilt the six-business portfolio, comprising three existing businesses and three growth businesses, there is no change whatsoever in our growth strategy of transforming into a corporate entity capable of realizing sustainable growth. Announced in May 2015, the Medium-Term Management Plan Update was set for the next three years.

In addition to changes to the forecasts regarding the scale of the market in the existing Imaging Products Business, in the Medium-Term Management Plan Update we meticulously reviewed the amount of time needed to expand our share of the ArF immersion scanner market in the Semiconductor Lithography Business. In the two years from the fiscal year ending March 31, 2016, we will secure stable profits through further streamlining and at the same time plan enterprising investments that will bring about a recovery toward a growth track. In the meantime, while reviewing the rate of growth in our Medical Business, we will make ongoing investments in business

development. We are targeting improved profits for the entire Nikon Group in the fiscal year ending March 31, 2018.

With regard to M&A, of the ¥200 billion financial plan approximately ¥150 billion remains. While carefully reviewing the content of M&A issues, we will enterprisingly conduct investment activities to enter businesses other than those in the medical field that arise and build on these opportunities to achieve future significant advances.

If we were to only think of short-term profit, we would have the option of securing a certain level of profit by, for the time being, curbing such investments and conducting business in existing products and services. However, if we adopted that approach, the possibilities for growth would be closed to us. For Nikon to become a corporate entity capable of realizing sustainable growth for the next 100 years, while utilizing its world-class technological capabilities and contributing to people's lifestyles and to society, I believe we need to take the next step without loosening our hold on our existing businesses and our growth businesses.

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.

Enhance capabilities to respond to changes in business environment

To continue on a point I previously mentioned, in a business environment that is going to be rapidly changing, I believe honing our capabilities to respond to such changes will be essential. For that reason, initially in existing businesses, we need to lower costs, seek to reduce lead times to the very last minute, and bring about improvements in business efficiency. Providing products and services that meet changing needs at the same time require us to expand our sales volumes. In the businesses that are positioned for growth—Medical, Microscope Solutions, and Industrial Metrology—I therefore would like to enhance the proposals of our solutions business model in accordance with changes occurring in the world and target sales expansion.

However, rather than expanding in a single bound, our policy is to steadily bring about growth while gaining footholds. The same may be said with M&A, the aim of which is not merely expansion in business scale. We will continue to make judgments with an emphasis placed on affinity with Nikon, including companies whose sales and production complement ours because of region or are expected to generate synergies with Nikon technologies.

Without changing the existing policy of making advances in M&A while maintaining a robust financial base, our aim is to maintain an equity ratio of more than 50%. A specific ROE target was not stated in the Medium-Term Management Plan Update announced in May 2015, but we believe ROE will continue to improve as a consequence of regular rises in operating income and total assets turnover.

Furthermore, I hear questions regarding reviews of the production bases of the Imaging Products Business, the market for which is shrinking, but these reviews will be conducted in accordance with changes in the business environment. We are working on optimization, such as the leveraging of other businesses where growth is expected,

To Our Stakeholders

from a Companywide perspective. In addition to growth through our six-business portfolio, we are aiming to improve the overall pace of our operations.

At the same time, for the Imaging Products Business, there is no reason to simply accept that the market is shrinking. Due to the rise in smart devices, we are living in an age described as when several billions of photos are shared on the Internet in a single day. It is not an exaggeration to say that this represents an unprecedented growth opportunity for the Imaging Products Business. In addition to seeking an affinity with the Internet, we are realizing proposals for new devices for capturing images and applications through the co-existence of smart devices. While addressing the smart-device user demographic, we are striving to revitalize the market. In the next two fiscal years, we will continue to make investments, including for R&D, and focus our efforts on regrowth in the fiscal year ending March 31, 2018.

Management's Numerical Targets

(Billions of yen)

Years ended / ending March 31		2015 (result)	2016 (target)	2017 (target)	2018 (target)
Net Sales	Corporate	857.7	860.0	890.0	990.0
	Precision Equipment Business	170.7	210.0	200.0	210.0
	Imaging Products Business	586.0	525.0	530.0	570.0
	Instruments Business	72.3	80.0	100.0	120.0
	Medical and New Businesses	0	15.0	24.0	50.0
	Other	28.6	30.0	36.0	40.0
Operating Income (Loss)	Corporate	43.4	30.0	38.0	65.0
	Precision Equipment Business	8.3	20.0	18.5	27.0
	Imaging Products Business	56.6	38.0	42.0	55.0
	Instruments Business	1.1	2.0	6.0	10.0
	Medical and New Businesses	0	(6.0)	(6.0)	(9.0)
	Other	6.7	4.0	4.5	8.0

*Announced on May 14, 2015

■ Nikon's Social Responsibility

Awareness of the importance of fairness and integrity

As a corporate citizen, we naturally comply with set rules, including laws. On that basis, I believe an ethos of fairness and integrity to be of importance. In 2015, the Corporate Governance Code was formulated and will raise an awareness of improvements to transparency in management in Japan. Plans call for creating a policy to determine a response to the Corporate Governance Code that will be discussed and decided by the Board of Directors.

In the meantime, if we truly consider our contributions to the sustainable development of society, there will be a need to step up our overall awareness of all aspects, without bias, with regard to the expectations of a variety of stakeholders, including, of necessity, shareholders and investors, local communities, employees, and customers.

As business practices and cultures differ depending on the country or region, the unification of all rules would be beset with difficulties, so I feel that an ethos of fairness and integrity complements aspects that are not defined.

Bringing together different types of people without a doubt creates new value, more so than in the case of organizations made up of a homogenous group of people, and thus plans will continue to promote diversity. Recently, we reviewed our human resource systems from a global perspective and will adapt them to sufficiently take into account factors linking diversity initiatives with corporate growth.

■ A Closing Word

To become a corporate entity capable of another century of growth

Nikon will mark the 100th anniversary of its establishment on July 25, 2017. In the Medium-Term Management Plan Update announced in May 2015, 2017 is the final year of the plan. Looking ahead to Company's centenary, the responsibility rests with me to complete the transformation and bring about a return to a growth track. I also believe these efforts will be crucial for growth in the next 100 years. The technologies that the Nikon Group possesses are of the highest level in the world, and the high-quality products that they help create will lead to a competitive advantage. To become a corporate entity that continues to grow for the next 100 years, it is clear that issues must be addressed now. By continuing to offer guidance to Nikon Group employees on the direction that Nikon should take and the transformation necessary to that end, I will continue to lead in a determined manner.

In grateful anticipation of ongoing support from all our shareholders and investors, please consider the challenges that we will be facing over the medium-to-long term.

August 2015

Kazuo Ushida

President
Representative Director



NIKON AT A GLANCE

Precision Equipment Business

Semiconductor Lithography Business

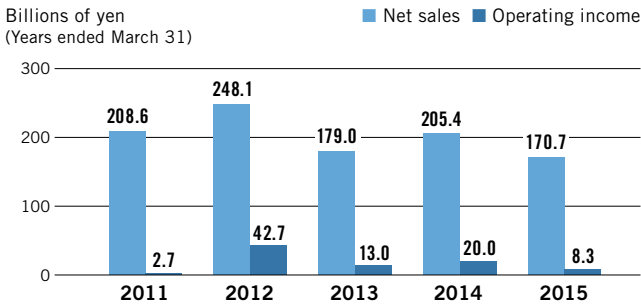
Business Lines | Development, manufacture, and sales of semiconductor lithography systems for the production of semiconductors used primarily in electronics

Nikon's Strengths | 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

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

Nikon's Strengths | Nikon possesses a high share of the market for FPD lithography systems, where there is growing demand for 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 advantages for larger and higher-definition panels.

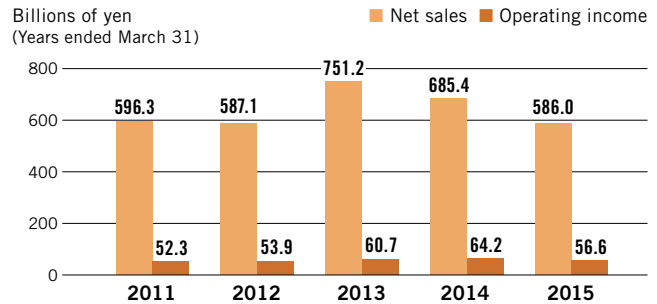


Imaging Products Business

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

Nikon's Strengths | 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 movie.



Sales by Business Segment **19.9%**

Geographic Sales **Europe 24.7%** **United States 23.4%**

Instruments Business

Microscope Solutions Business

Business Lines | Development, manufacture, and sales of a broad lineup of microscopes, ranging from those for cutting-edge research to microscopes for clinical, educational, and practical training applications

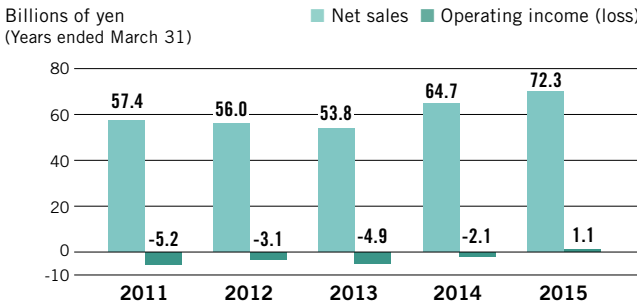
Nikon's Strengths | By means of its super resolution microscopes that greatly exceed the resolution limits of conventional optical microscopes and its Perfect Focus System (PFS) that prevents focus drift over long hours of observations, Nikon opens up new possibilities in live cell imaging.

Having decided to enter into a contract manufacturing business covering the cells used in regenerative medicine in 2015, Nikon is equipped to make great advances in the regenerative medicine development market.

Industrial Metrology Business

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

Nikon's Strengths | 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.



Other Businesses

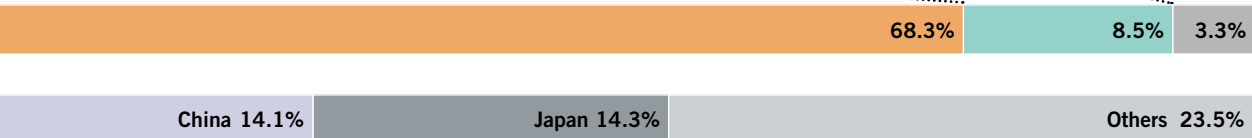
Medical Business / Customized Products Business / Glass Business / Encoder Business / Ophthalmic Lenses Business

Business Lines | In addition to its new Medical Business, Nikon is contributing to advances in science and technology as well as industry and society through unique products and technologies from its diversified businesses

Priority Field: Medical Business

- ▶ **Business Direction**
 - Leverage Nikon's core competencies to respond to unmet medical needs
- ▶ **Nikon Core Competencies**
 - Optical technologies
 - Precision control technologies
 - Image processing technologies
 - Semiconductor lithography technologies
 - High-precision measurement technologies
- ▶ **Significance of Our Medical Business Entry**
 - Contribute to accurate diagnosis and treatment
 - Relieve the physical burden and impact on patients
 - Shorten times needed for diagnosis, treatment, and hospitalization

→ **Lessen the burden of medical costs**
- ▶ **Fields We Have Entered or Will Enter**
 - Prevention • Diagnosis • Treatment
 - Prognostic management • Drug discovery support
 - Regenerative medicine



Business Review for the Fiscal Year Ended March 31, 2015

Semiconductor Lithography Business

Summary for the Fiscal Year Ended March 31, 2015

- Aimed to improve performance and expand sales of systems focusing on ArF immersion scanners, but number of units sold decreased due to the impact of changes to customers' capital investment plans
- Recorded impairment loss on fixed assets of approximately ¥15.2 billion

Market Environment

Capital investment was firm in the semiconductor-related field. This trend is expected to continue for the time being, and in addition to making improvements to system performance, we aimed to increase our market share by enhancing the sales structure and services.

Initiatives and Achievements

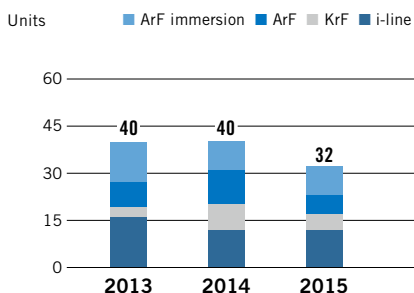
Working to improve performance and expand sales of systems, focusing on ArF immersion scanners, we made our first shipment of the new NSR-S630D scanner that offers extremely high overlay accuracy and improved productivity. Beset by such factors as changes to customers' capital investment plans, fewer than the expected number of overall units were sold, but the NSR-S630D has been well received by customers.

We are further enhancing the support we provide to customers after system delivery and shortening the lead times needed to build mass production systems at customer sites by establishing a new department.

Semiconductor Lithography Systems, Unit Sales by Technology

(Including refurbished equipment)

(Years ended March 31)



FPD Lithography Business

Summary for the Fiscal Year Ended March 31, 2015

- In line with a shrinking market, the number of units sold decreased significantly
- Maintained high share of the lithography system market for small and medium-sized high-definition panels as well as OLED panels

Market Environment

Although recovery was evident in capital investment for large-sized panels, our performance was weakened as a result of a settling down of capital investment for small and medium-sized panels. It is expected that capital investment for small and medium-sized panels will recover rapidly, while capital investment for large-sized panels will remain stable.

Initiatives and Achievements

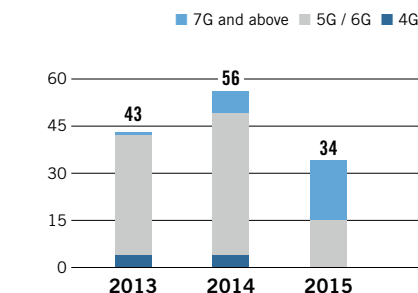
Focusing on sales of such systems as the FX-67S that are ideal for the production of small and medium-sized high-definition panels for smartphones and tablet computers, we were affected by the settling down of capital investment, resulting in sluggish sales compared with the previous fiscal year. In systems for large-sized panels, sales of the new FX-86S2 and FX-86SH2 sold steadily due to a recovery in customers' capital investment.

Since sales volumes of FPD lithography systems tend to be affected by market conditions, we suffered a significant drop in the number of units sold but maintained our high share of the market.

FPD Lithography Systems, Unit Sales by Generation

(Years ended March 31)

Units



Imaging Products Business

Summary for the Fiscal Year Ended March 31, 2015

- Impacted by delayed recoveries in European and Chinese markets, and suffered decreases in revenue and profit
- Achieved ratio of operating income to net sales above that of previous year by cost reductions, such as in advertising expenses

Market Environment

The market for digital cameras—interchangeable lens type was sluggish mainly in Europe and China, and the compact digital camera market continued to shrink.

Despite a delayed recovery in the European and Chinese markets, the contraction of the market for digital single lens reflex (SLR) cameras lessened from the previous year.

Initiatives and Achievements

Among digital cameras—interchangeable lens type that were well received during the year were the D750 and D810 digital SLR cameras, with full-scale specifications comparable with those of professional models; the mid-class D7100 and D7200; and the entry-class D3300 and D5500. As a result, market shares increased significantly in the United States and Russia.

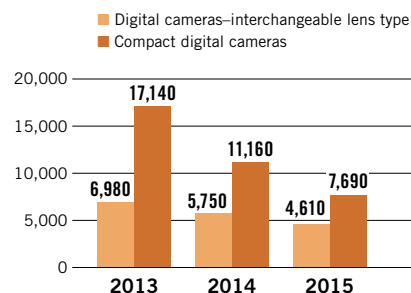
In compact digital cameras, sales were strong for products including the COOLPIX P600 and COOLPIX S9700.

The cumulative production of interchangeable lenses reached 95 million units in July 2015.

Unit Sales of Digital Cameras

(Years ended March 31)

Thousands of units



Microscope Solutions Business

Summary for the Fiscal Year Ended March 31, 2015

- Due to year-on-year increases in revenue and profit, business successfully moved into the black
- Reviewed entry into a contract manufacturing business covering cells used in regenerative medicine

Market Environment

The biological microscope market in Japan was sluggish due to a reduction in public spending and delays in execution, but markets were robust in the Americas and China.

In the new field of regenerative medicine, following a Revised Pharmaceutical Affairs Act that came into effect in November 2014, Japan is focusing on the early commercialization of regenerative medicine as a seedbed for development that holds promise.

Initiatives and Achievements

Although influenced by the market downturn in Japan, efforts were made to strengthen relationships with customers, and market share steadily rose. Implemented over the course of several years, policies to improve productivity bore fruit in the form of increased revenue and profit. Thanks to operations in China, where market share expanded, and in the Americas, where sales were favorable in the cellular research-related field, overall sales of inverted research microscopes were particularly strong.

With a view to launching a stem cell business, the decision was made to enter the contract manufacturing business to produce cells in May 2015.

Industrial Metrology Business

Summary for the Fiscal Year Ended March 31, 2015

- Due to year-on-year increases in revenue and profit, business successfully moved into the black
- Capital investment related to electronic components, semiconductors, and automobiles recovered, significantly raising sales

Market Environment

Capital investment related to electronic components, semiconductors, and automobiles recovered, and expectations have become particularly high for non-contact metrology that is capable of smoothly measuring automobiles, aircraft, and other structures on assembly lines. In addition, technologies that enable both exteriors and internal structures to be measured or inspected by generating 3D X-ray / CT images are expected to be a growing market in the years to come.

Initiatives and Achievements

In addition to higher sales of such products as the NEXIV Series CNC video measuring system and the non-contact 3D metrology system, following a recovery in customers' capital investment, efforts were made to further improve productivity, and profitability increased.

We are currently focusing efforts on non-contact 3D metrology systems. These systems represent a completely new concept by measuring 3D images using a non-contact, non-destructive method. Designed to supersede previous systems for measurement that required multiple units, the non-contact 3D metrology systems enable measurement with a single unit. The systems demonstrate significant advantages as a unique Nikon technology.

Medical Business

Initiatives and Achievements in the Fiscal Year Ended March 31, 2015

Placing emphasis on cultivating the diagnostic business, we are promoting a variety of initiatives toward its early commercialization.

With regard to M&A, we acquired U.K.-based Optos PLC, a leading company in the retina diagnostic imaging equipment market. (The acquisition was completed and Optos became a wholly owned subsidiary in May 2015.)

In the biomicroarray business, we are advancing technological development with a view to commercialization in the United States. With regard to the point-of-care testing (POCT) business, we are engaged in product development through a business alliance agreement with LSI Medience Corporation.

Performance Highlights

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31

	2006	2007	2008	2009
For the year:				
Net sales	¥ 730,944	¥ 822,813	¥ 955,792	¥ 879,719
Precision Equipment	242,318	291,913	290,814	219,915
Imaging Products	415,686	448,825	586,147	596,468
Instruments	53,280	59,252	59,043	44,642
Cost of sales	468,944	494,663	551,551	561,642
Selling, general and administrative expenses	195,413	226,143	269,072	269,892
Operating income (loss)	66,587	102,007	135,169	48,185
Precision Equipment	26,375	49,321	43,348	8,041
Imaging Products	34,369	45,678	83,974	40,039
Instruments	4,085	5,123	4,081	(2,724)
EBITDA* ¹	87,347	124,632	160,847	81,095
Income (loss) before income taxes and minority interests	40,925	87,813	116,704	39,180
Net income (loss)	28,945	54,825	75,484	28,056
Per share of common stock (yen and U.S. dollars)*²:				
Basic net income (loss)	¥ 78.16	¥ 146.36	¥ 189.00	¥ 70.76
Diluted net income	69.33	131.42	181.23	67.91
Cash dividends applicable to the year	10.00	18.00	25.00	18.00
Capital expenditures	¥ 25,817	¥ 30,432	¥ 39,829	¥ 43,467
Depreciation and amortization	20,760	22,625	25,678	32,910
R&D costs	37,139	47,218	58,373	61,489
Proportion of R&D spending to net sales (%)	5.1	5.7	6.1	7.0
At year-end:				
Total assets	¥ 690,920	¥ 748,939	¥ 820,622	¥ 749,805
Total equity	243,122	348,445	393,126	379,087
Interest-bearing debt	178,841	105,338	76,544	114,940
Financial ratios:				
Equity ratio (%)	35.2	46.5	47.9	50.5
Debt equity (D/E) ratio* ¹ (times)	0.74	0.30	0.19	0.30
ROE* ¹ (%)	13.2	18.5	20.4	7.3
ROA* ¹ (%)	4.4	7.6	9.6	3.6
Number of subsidiaries	47	49	48	48
Number of employees	18,725	22,705	25,342	23,759

Environment-related data:

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

— — — —

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

— — — —

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

— — — —

*1. Throughout this annual report, EBITDA is calculated as operating income (loss) plus depreciation and amortization expenses, ROE is calculated as net income (loss) divided by average shareholders' equity, ROA is calculated as net income (loss) 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 year ended March 31, 2006, and the 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 (fixed for the entire period).

For the 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 ¥120.17 to US\$1, the exchange rate at March 31, 2015.

★ Environment-related data applies to seven Group manufacturing companies in Japan and two Group manufacturing companies outside Japan.

For more details, please refer to "The Nikon Group's Environmental Management Systems and Environmental Performance Data Boundary" on our website.

<http://www.nikon.com/about/csr/environment/promote/management/>

					Millions of yen	Thousands of U.S. dollars*5
2010	2011	2012	2013	2014	2015	2015
¥ 785,499	¥ 887,513	¥ 918,652	¥ 1,010,494	¥ 980,556	¥ 857,782	\$ 7,138,072
150,101	208,614	248,145	179,013	205,447	170,758	1,420,970
569,465	596,376	587,127	751,241	685,446	586,019	4,876,586
45,051	57,452	56,000	53,877	64,709	72,382	602,328
552,409	575,536	567,000	663,509	630,568	532,383	4,430,254
246,944	257,924	271,571	295,983	287,046	281,987	2,346,560
(13,854)	54,053	80,081	51,002	62,942	43,412	361,258
(58,557)	2,712	42,724	13,090	20,079	8,355	69,528
52,117	52,332	53,972	60,711	64,284	56,699	471,820
(9,331)	(5,248)	(3,166)	(4,978)	(2,156)	1,199	9,982
22,102	88,087	112,651	87,227	105,419	81,867	681,262
(17,672)	46,506	86,168	61,857	74,692	35,153	292,529
(12,615)	27,313	59,306	42,459	46,825	18,364	152,819
¥ (31.82)	¥ 68.90	¥ 149.57	¥ 107.07	¥ 118.06	¥ 46.29	\$ 0.39
—	68.83	149.41	106.92	117.88	46.21	0.38
8.00	19.00	38.00	31.00	32.00	32.00	0.27
¥ 37,525	¥ 29,776	¥ 55,915	¥ 60,158	¥ 45,472	¥ 32,550	\$ 270,864
35,956	34,034	32,570	36,226	42,477	38,458	320,033
60,261	60,767	68,701	76,497	74,552	66,730	555,298
7.7	6.8	7.5	7.6	7.6	7.8	
¥ 740,632	¥ 829,909	¥ 860,230	¥ 864,668	¥ 949,515	¥ 972,945	\$ 8,096,408
372,070	389,220	433,617	490,218	546,813	572,201	4,761,594
102,388	87,476	86,367	85,348	127,132	115,498	961,118
50.2	46.8	50.3	56.6	57.5	58.6	
0.28	0.22	0.20	0.17	0.23	0.20	
(3.4)	7.2	14.4	9.2	9.0	3.3	
(1.7)	3.5	7.0	4.9	5.2	1.9	
69	68	68	71	70	75	
26,125	24,409	24,348	24,047	23,859	25,415	
—	134	127	128	124	121*	
—	76	57	60	61	62*	
—	2,770	3,026	2,932	2,819	2,488*	

*: Quantitative data covered by the independent practitioner's assurance. (See page 77 for details.)

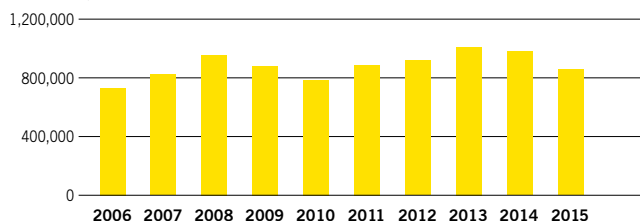
Performance Highlights

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31

Growth potential

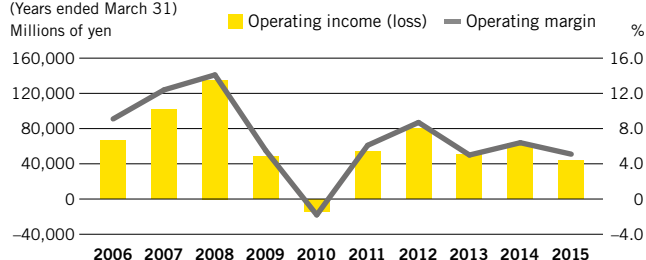
1 Net sales

(Years ended March 31)
Millions of yen



2 Operating income (loss) / Operating margin

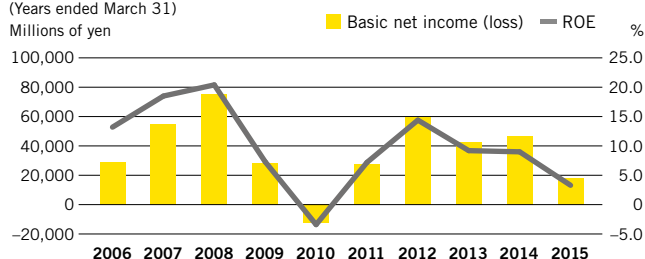
(Years ended March 31)
Millions of yen



Profitability

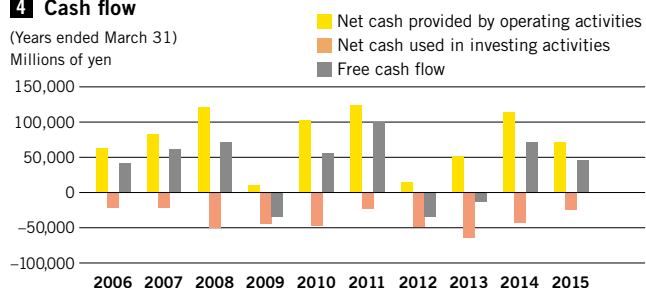
3 Basic net income (loss) / ROE

(Years ended March 31)
Millions of yen



4 Cash flow

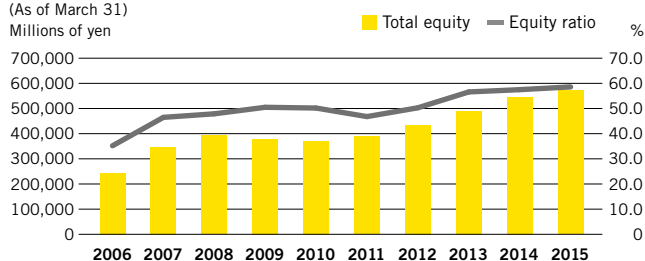
(Years ended March 31)
Millions of yen



Safety

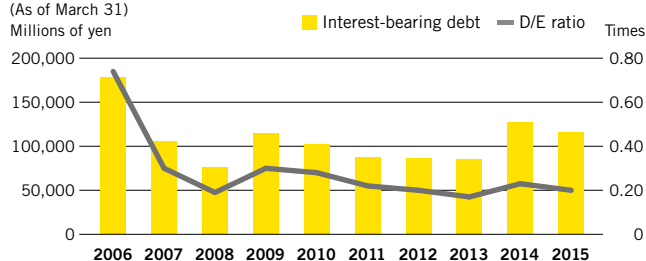
5 Total equity / Equity ratio

(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 and Other Indices (As of March 31, 2015)

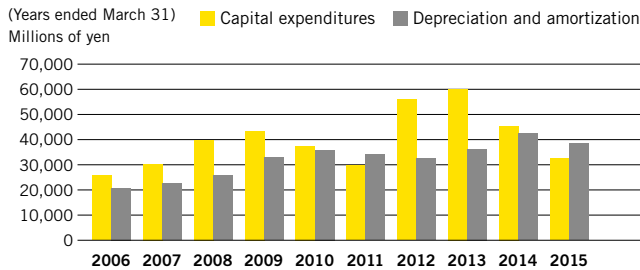
SRI index portfolio and other indices	
From 2004	FTSE4Good Index Series*1
From 2010	Morningstar Socially Responsible Investment Index (MS-SRI)*2
From 2011	ECPI Ethical Index Global*3
From 2013	Nadeshiko Brand*4
From 2013	"Ethibel EXCELLENCE" (part of the Ethibel Investment Register)*5
From 2014	MSCI Global Sustainability Indexes*6



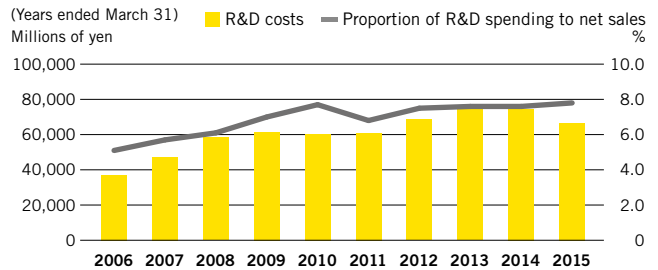
*1. Socially responsible investment index featuring leading companies from around the world, compiled by FTSE, a subsidiary of the London Stock Exchange.
 *2. The Morningstar Socially Responsible Investment Index (MS-SRI) is the first socially responsible investment index in Japan. Morningstar Japan 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. Joint selection and announcement by Japan's Ministry of Economy, Trade and Infrastructure and the Tokyo Stock Exchange, Inc., of listed companies with outstanding performance in supporting career development for women.
 *5. Investment universe comprised of companies identified by Forum Ethibel as displaying high performance in terms of social responsibility.
 *6. An MSCI index comprising companies in each industry that have gained high ESG ratings.

Growth investments

7 Capital expenditures / Depreciation and amortization

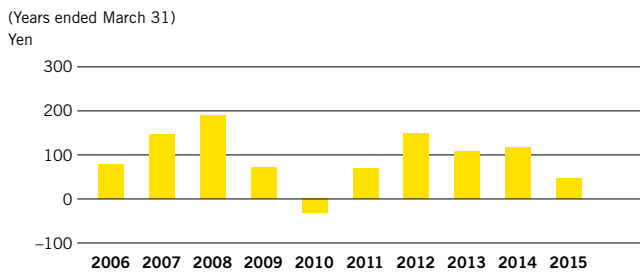


8 R&D costs / Proportion of R&D spending to net sales

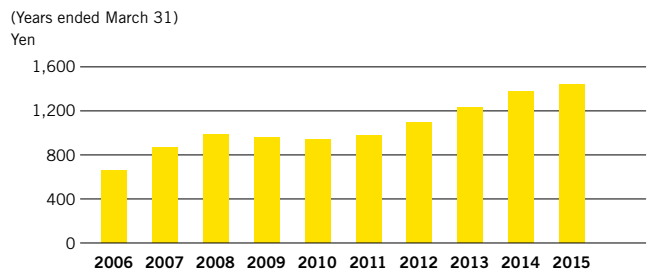


Shareholder value

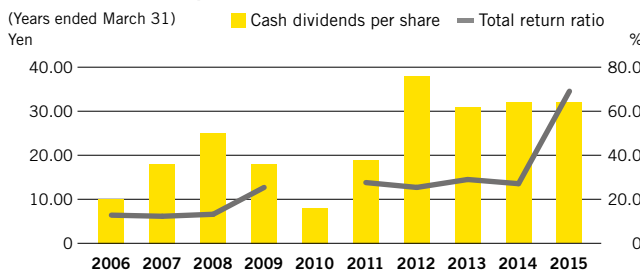
9 Net income (loss) per share



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
2014	April	Design Zentrum Nordrhein Westfalen (Germany)	red dot Award: Product Design 2014
	May	Technical Image Press Association	TIPA Awards 2014
	August	European Imaging and Sound Association	EISA Award
	December	Hong Kong Design Centre	Design for Asia Awards 2014 Silver Award
2015	February	International Forum Design GmbH (Germany)	iF Product Design Awards 2015
	March	Intel Corporation (United States)	Preferred Quality Supplier (PQS) Award

Overview of Divisions and Business Units

Corporate Strategy Division



By strengthening existing businesses and promoting the early commercialization of new businesses, the Corporate Strategy Division will link its efforts to the sustainable 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 made during the year and the coming challenges for each of these programs.

■ M&A Program

First, in February 2015 we agreed to start procedures to make Optos Plc, a leading U.K. company in the retina diagnostic imaging equipment market, a wholly owned subsidiary for approximately ¥48.0 billion; this acquisition was completed in May 2015. The ultra-widefield (UWF) technology that Optos has at its disposal can instantly capture images of approximately 82% of the retina and enables the early detection of diseases, the signs of which can be confirmed in the retina. Consequently, we believe demand for this technology can be expected from ophthalmologists all over the world. Due to such factors as diabetes and the aging of the population, the number of visually impaired patients is expected to increase in the years to come, which is why we judged Optos to be a growth company.

In addition to Optos, we are examining some M&A projects and are making steady progress. About a year has passed since the Corporate Strategy Division was established, and in that time we have been able to accumulate a considerable amount of know-how in M&A. I believe we will be able to continue to conduct M&A in growth businesses and positioned areas while limiting risks.

With regard to corporate venture capital, we have invested in several companies and created a basis for accelerating Open Innovation. Through these measures, we reached the point at which we have been able to obtain not only technologies but also a substantial

amount of overall business information. In addition, because we have established a structure for sharing information we receive throughout the Company, Open Innovation has become an effective tool in assisting our transformation.

■ R&D Program

In collaboration with the Core Technology Division, we took comprehensive stock of technologies on a Companywide basis. When reviewing M&A and our alliances with other companies, we are beginning to use these connections as tools that specifically show an affinity with Nikon. On the other hand, when viewed from a Companywide perspective, as each business unit visualized technologies that they have utilized or are no longer able to utilize, we promoted cross-organizational technological collaboration that transcends the borders of the business units. Regarding where cooperation can be said to have deepened between the business units, I would judge that to be in R&D, where cooperation is taking us steadily one step closer to the horizontal development of technologies.

Although we reviewed the management numerical targets that were cited in the Medium-Term Management Plan announced in 2014, no reduction has been made in the three-year cumulative total for R&D, which is extremely important. We will focus on priorities, but the policy is to continue aggressively investing funds in the projects necessary to prepare for regrowth.

■ Human Resource Program

In the fiscal year ended March 31, 2015, we undertook large-scale measures to reorganize personnel, which centered on shifting resources from existing businesses to growth businesses. Compared with the time of its establishment, the Medical Business Development Division has

doubled in size, and we are proceeding with the addition of human resources to the Instruments Business. We are actively encouraging the hiring of specialized experts—many employees are producing favorable results for us immediately after having joined the Company, and we are receiving positive feedback. We will continue to hire career professionals to enhance our competitive capabilities in the years to come.

In mature market fields, such as the Precision Equipment Business, it will be necessary to review and promote reductions in human resources. In Nikon's case, however, the Medical and Instruments businesses are both in need of reinforcement, and the possibility remains of reassigning high-caliber personnel from the Precision Equipment Business for example. Even though they are from different fields, we will freely recruit human resources with marketing, development, and design experience, as it has been established they are capable of creating new value. If we take the perspective of creating new value, the interdivisional flow of personnel is not merely an exercise in relocation but an opportunity for human resource development.

■ Cost-Reduction Program

We have been making proactive cost-reduction efforts centered on the Imaging Products Business since 2013, and the results of those efforts are steadily appearing. Even though sales in the Imaging Products Business are declining, the ability to maintain the operating margin indicates that cost reductions are linked to steady results. The plan for the coming years calls for the promotion of more upstream cost reductions, such as at the development and design stages. However, as insufficient results are generated when a product does not enter volume production, it is expected that a little more time will be required to improve the profit margin. We will be taking this point into consideration when formulating business forecasts.

Q What are the Corporate Strategy Division's overall achievements?

Following the major organizational changes in June 2014, we thought that for our business situation what we needed to avoid the most were unnecessary disruptions to the existing operations of each business unit, but we were able to conduct business smoothly. Previously, we adopted a conventional bottom-up model for drafting budgets, which we changed to a top-down model centered on this division. Having differed from business unit to business unit, all budget planning and monitoring methods have now been standardized. Thus, we can now build an accurate picture of all the Company's numerical values, and any slippages in courses of action between business units can be detected at an early stage. Even with regard to cost-reduction measures, this division is federated and recognizes that it plays a central role, such as in the effective utilization of assets that transcends business unit borders.

Q Please tell us about the policies of the Corporate Strategy Division for the coming years.

The first year is considered as the stage for a promising start, but challenges remain. Even when viewing business results, the situation is far from satisfactory. A particularly pressing issue is to strengthen the structures of the existing businesses. From a level-headed perspective, this division must propose such moves as applying the initiatives of other business units and utilizing the strengths of core technology business divisions, while sometimes recommending the curbing or freezing of investment. While this division has always been cooperating with business units, I feel there will be an increasing need to work in unison in the years to come.

Currently, the focus on the Medical Business forms the core of our growth strategy, but this does not in any way mean specializing solely in the medical area. We will continue to constantly consider not only the promotion of M&A in the Industrial Metrology Business and new business fields but also competitiveness in our existing businesses and the expansion of our business base.

As it stands now, the Nikon Group's business portfolio is not that wide. I feel that it is still rather narrow. If a portfolio is narrow, when one business flags, the impact on the entire business is significant. Due to the risk of becoming mired in a negative chain, we need to expand the portfolio. First, we must be successful in transforming into a corporate entity capable of realizing sustainable growth with a portfolio of six businesses. In the Microscope Solutions Business, we have entered the contract manufacturing business of cells for regenerative medicine, which is one example of expanding the business portfolio. Furthermore, with regard to alliances with other companies and the external recruitment of human resources, although we will receive an external stimulus and create a framework that will translate into improved diversity, I think the aim is to change in a step-by-step manner. If we continue in this way, I believe we will exert a significant presence as a growing company over the next 100 years.

We have never before been involved in completely different business categories as we are now. By paying attention to the businesses in which Nikon has not had any experience until now, however, I do believe the Nikon Group can evolve into a stronger, more attractive company, provided the internal corporate culture exists to bring about the sustainable growth of the Group. To that end, I would like to request that employees make sure to extend the points of contact they have outside the Company, become inspired, and cultivate their sensibilities. Before social needs change, if it is possible for them to perceive changes, employees will be able to enjoy the benefits of being ahead of the times, and opportunities will be created that question society and give rise to new ideas. I am confident these types of initiatives will lead to the sustainable growth of the Nikon Group.

Precision Equipment Business

Semiconductor Lithography Business Unit



We provide support from our customers' perspectives and aim to make the transformation from a business that simply markets products to a business model that provides solutions.

Toshikazu Umatate

Senior Vice President
General Manager of Semiconductor Lithography Business Unit

Business Strategies for Medium-Term Management Plan Update

To optimize lithography systems for customer processes and sustain stable operations

Focus on NSR-S630D sales, expanding ArF immersion scanner share

Promoting further efficiency improvements, aim to exceed breakeven-point sales of ¥120 billion to post profit in fiscal year ending March 31, 2018

Message

Q How would you sum up the fiscal year ended March 31, 2015?

For two consecutive years ended December 31, 2013 and 2014, the semiconductor market was booming and posted record-high sales. Nikon, however, is involved in the semiconductor lithography system market, which shrank in 2014 compared with the previous year, buffeted by the flat investment that has accompanied rapid growth in smartphones and tablet computers. As the number of units Nikon sold was also down from the previous fiscal year, the market shrinkage had harsh consequences in the fiscal year ended March 31, 2015.

The semiconductor lithography system market is expected to remain flat for a while. Although it is difficult to expect any significant growth in this business, we are focusing on how and whether to acquire a larger share of the market. Shipments of the highly acclaimed NSR-S630D ArF immersion scanner commenced during the fiscal year, and demonstrations of this model on the actual mass production front line of our customers hold the key. In the first quarter of the fiscal year ending March 31, 2016, we shipped the 450mm immersion scanner, which was ordered by the U.S.-based Global 450 Consortium in July 2013.

Q Please tell us about the reorganization of the corporate structure.

Since the establishment of the Semiconductor Lithography Business Unit in June 2014, we have focused on fortifying our structure to conduct business management faster. We have been engaged in transforming the balance of resources across our entire organization. Previously, we focused on strengthening the development department, as improving the competitiveness of our lithography systems had been deemed an important issue. In this endeavor, we have been successful, since the performance

of our new system now surpasses that of competitor's products. At the present time, we are focusing on two areas: further enhancing the support we provide to customers after equipment delivery and shortening the lead times needed to build mass production systems at customer production sites. In September 2014, part of the newly established Customer Solutions Department was formed into a unit dedicated to problem solving jointly with customers to realize in particular prompt post-delivery performance verification. In addition to providing support from the customer's standpoint, we aim to gain repeat orders by offering actual on-site performance verification.

Q Please tell us the background to the cost reductions.

We recognize that manufacturing costs are one of the important areas of efficiency for an item of equipment, and we are improving specific measures designed to realize further cost reductions. The first measure entails the rebuilding of an optimal production system that also covers our suppliers. It is essential for us to determine to what extent we should manufacture an item in house, and which components would be appropriate to consign to our suppliers. We built this framework in the year ended March 31, 2015. The second measure involves reducing initial production costs. The development costs of our current ArF immersion scanner were still high, so the key was to discover how to hold down initial costs. To bring our plan to fruition, we needed to proceed with the design, prototype manufacture, and initial mass production concurrently, even while we conducted trial-and-error testing. When manufacturing the most advanced equipment utilizing specialized components is necessary, it is difficult to keep costs in check, but we will continue to achieve our plan through the cooperation gained through long-standing partnerships with our suppliers.

Q Please tell us about upcoming challenges and the themes on which you will be focusing in the years ahead.

The development of semiconductor lithography systems requires very thorough specialist knowledge and a broad view to designing large-scale systems from the perspective of total optimization. The extent to which we are able to foster and cultivate the human resources that possess those attributes is becoming a challenge.

To quickly respond to the innovative materials and peripheral equipment that have emerged as semiconductors have evolved, I believe it is possible to reflect even more detailed needs in the systems by strengthening collaboration with the customer from the initial stages of semiconductor development.

While further extending the strengths that Nikon possesses in hardware, I am wondering how we could raise hardware capabilities at customer production sites. The improvement of software development capabilities will be required in the years ahead. The policies of strengthening collaboration between organizational structures and suppliers as well as establishing new strengths will continue. I believe the initiatives involved in transforming from a business that simply markets products to a business model that provides solutions to be of the utmost importance.



ArF immersion scanner **NSR-S630D**



ArF scanner **NSR-S322F**

Precision Equipment Business

FPD Lithography Business Unit



We will further hone product competitiveness to maintain and expand the superiority of our systems for higher-definition panels and aim to achieve our goal of remaining an operation that supports the advances of the display industry.

Kiyoyuki Muramatsu
Corporate Vice President
General Manager of FPD Lithography Business Unit

Business Strategies for Medium-Term Management Plan Update

Maintain top share and high profitability

Develop or launch next-generation higher-definition FPD lithography systems for small and medium-sized as well as large-sized panels

Message

Q How would you sum up the fiscal year ended March 31, 2015?

In the fiscal year ended March 31, 2015, there was favorable demand for the flat panel display (FPD) lithography systems used in large-sized panels, but demand was sluggish for the systems used in small and medium-sized panels due to the settling down of capital investment in smart devices.

Since our FPD lithography systems are highly competitive and hold the leading share of the market, we are prone to be affected by changes in the market. Compared with the previous year, our performance during the fiscal year under review in a shrinking market had harsh consequences in terms of results, but we were able to securely maintain competitiveness.

Q How do you see the business environment prospects in the fiscal year ending March 31, 2016?

In the fiscal year ending March 31, 2016, a sharp increase in demand is expected for higher-definition small and medium-sized panels, which will lead to a significant rise in sales of our FPD lithography systems. As major themes for the current fiscal year, we are acknowledging to steadfastly meet the increase in demand, maintain the performance of the systems, and keep delivery deadlines with our customers.

Q Please tell us about the initiatives designed to improve your competitiveness.

The development of lithography systems featuring higher resolution, productivity, and stability is proceeding according to plan. In addition, we recognize that working to

make our production structure more flexible and robust poses challenges to further rises in our competitiveness. In the case of FPD lithography systems, the installation of the systems—final assembly work and adjustment—are executed at the customer production front line, so we are going to promote the streamlining of that manufacturing process. The installation work takes several months, and as customer production bases are for the most part overseas, employees spend very long periods of time on duty. I believe shortening the duration of final assembly and conducting the work with an efficient number of personnel will enable us to make more effective use of our human resources.

As I mentioned, a sharp increase is expected in the number of units we sell in the fiscal year ending March 31, 2016. If we are unable to secure the personnel necessary to cope with this increase, we will not be able to meet our customers' expectations. On the other hand, demand in the FPD lithography system market is changing, and the market will be maturing over the medium-to-long term. Under the circumstances, it is difficult to maintain a permanent increase in fixed costs. We are thus classifying business tasks and appointing expert human resources from this business unit for work that carries a high degree of difficulty. We will also optimize our business unit structure to meet decreases or increases in market demand, while curbing any fixed increase in human resources by drawing on resources from outside the Company for tasks with a comparatively low degree of difficulty.

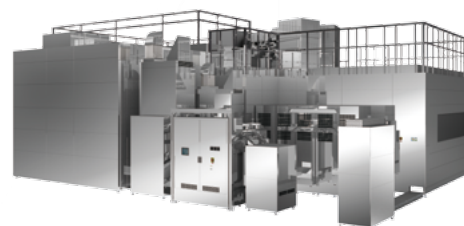
Q Please tell us about the risks and opportunities in the coming years.

In the years ahead, even greater advances will be made in higher-definition for both televisions and smart devices. It is expected that the standard for televisions will no longer be full high definition (Full HD) and will move to 8K after the 4K era. At some point, 4K-class panels are likely to appear on smart devices as well. As the production of higher-definition panels demands very advanced technologies, these developments present an opportunity for the FPD Lithography Business. We will further enhance our lithography systems' competitiveness to maintain and extend our superiority in higher-definition. However, as the market will be maturing, this is not a time to rely solely on new systems. Customer needs are diversifying, and our timeliness in supplying optimal performance "products" that offer superior cost performance will hold the key to subsequent growth. Therefore, I would like to make changes to the sales, development, and support departments so they function as more of an integrated tripartite system than they are at present. To develop new products that fully meet customer needs, it is necessary to gain more detailed information on the conditions of the systems that are operated at the customer production bases by not only support representatives but also sales and development engineers. In this way, we will build detailed accounts of our customer needs, which are expected to be linked to innovative products and solutions. For example, we will be able to provide systems offering improved productivity by modifying a part of our existing systems, which I believe will mutually benefit both our customers and us.

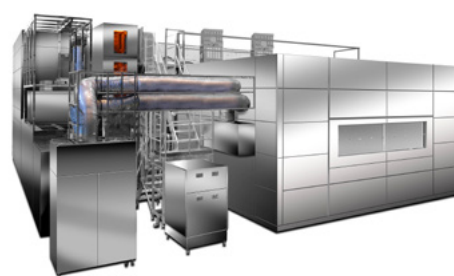
We will proactively advance the search for innovative businesses related to existing FPD lithography systems and make progress toward our aim of remaining an operation that supports the advances of the display industry.



FPD scanner **FX-67S**



FPD scanner **FX-86SH2**



FPD scanner **FX-101S**

Imaging Products Business

Imaging Business Unit



Although the business environment remains challenging, we will regard this adversity as an opportunity to create attractive, new products with typical Nikon quality through initiatives that will require the entire Imaging Business Unit to work in unison.

Nobuyoshi Gokyu
Senior Vice President
General Manager of Imaging Business Unit

Business Strategies for Medium-Term Management Plan Update

Consolidate leading position in digital cameras–interchangeable lens type

Continue further improvements in efficiency through cost reduction and manufacturing process optimization

Revamp sales system and continue developing and penetrating into markets of emerging countries

Pursue network connectivity

Message

Q How would you sum up the fiscal year ended March 31, 2015?

Compared with the fiscal year ended March 31, 2014, the market for digital cameras–interchangeable lens type decreased 19%, and the market for compact digital cameras declined 32%, which was more than expected. The delayed market recoveries in Europe and China in particular had a profound effect, and the business environment in which the Imaging Business Unit operates was generally harsh. As a result of these factors, net sales and operating income decreased approximately 15% and 12%, respectively, year on year, but the operating margin rose from 9.4% in the previous fiscal year, to 9.7%. We are aware of the successes we had in cost reductions, which were thoroughly implemented in procurement and focused on development and design, and in raising the sales ratio of medium and high-end class digital single-lens reflex (SLR) cameras. The market environment is predicted to remain severe, and we are expecting year-on-year decreases in revenue and profit in the fiscal year ending March 31, 2016, but our policy is to continue investing for future growth, such as by further tapping into emerging economies, strengthening the Nikon brand, and conducting R&D for new products. A modest recovery in the market environment for digital SLR cameras is expected from the second half of the current fiscal year.

Q Please tell us about your initiatives under the Medium-Term Management Plan Update.

The Imaging Products Business provides the backbone of the Nikon Group's revenue base. In spite of the harsh business environment, we need to strengthen our profitability to continue to support the Nikon Group. I would therefore like to consolidate our leading position in digital cameras–interchangeable lens type as well as in

interchangeable lenses. Even though the market is shrinking in terms of scale, we will implement three measures to raise our profit margin and firmly secure profit.

First, with regard to our products, as for digital SLR cameras and interchangeable lenses that are the sources of our earnings, we will make further improvements to their basic functions and bring about ongoing product evolution. I am not satisfied with the current situation for our Nikon 1 advanced cameras—interchangeable lens type. We are planning to reactivate the market and expand our share by launching new models. With regard to compact digital cameras, I would like to generate value that the photography functions of smart devices are incapable of providing. For example, the high-value-added COOLPIX P900, equipped with an 83x optical zoom lens, was launched in the spring of 2015 and has exceeded our sales expectations, so we have increased production.

Secondly, we will enforce our Customer Relationship Management (CRM). This policy is centered on an approach we have called Customer Lifecycle Management (CLM), which emphasizes enhanced contact with the customer from the purchase of Nikon products throughout their life cycle. Over the past 10 years, Nikon has accumulated data from its sales of around 200 million products. We have recently established an organization within the Imaging Business Unit to promote the utilization of this big data. We will utilize big data, analyze how that data will fill the gap between the products sold now and the new concept products we should be aiming for, and promote initiatives that will leverage the results of those analyses in development and design.

The third measure involves further tapping into and developing markets. The economic situation in such countries as Brazil and Russia is expected to remain unstable, but, on the other hand, burgeoning demand is expected in India and the Middle East. In India, in particular, Nikon has become No. 1 in terms of its market share in digital SLR cameras by actively expanding its sales channels and thoroughly addressing locally based marketing. I would like to apply initiatives modeled on those efforts in India to other countries and regions.

Q What will be the key points of the Imaging Products Business strategy to make great strides in the years ahead?

Nikon's cameras possess well-established brand power, and it is our mission over the next 100 or 200 years to continue maintaining this brand power. The current camera market is shrinking, but that is precisely the reason why we will treat a difficult situation as an opportunity, and it is imperative that the Imaging Business Unit work as one to launch new, attractive, and distinctively Nikon products. To that end, I will clearly indicate the goals to be attained and share in realizing them with the entire Imaging Products Business Unit. In continuing to meet the expectations of all our stakeholders, I would like to show ourselves as continuing to change and evolve.



Digital SLR camera **Nikon D810**



Advanced camera—interchangeable lens type **Nikon 1 J5**



Compact digital camera **COOLPIX P900**

Instruments Business

Microscope Solutions Business Unit



We are aiming to remain a business unit that utilizes science to contribute to people's health by securing a leading position in the biological microscope field and the early commercialization of products in the field of regenerative medicine.

Atsumi Nakamura

Corporate Vice President
General Manager of Microscope Solutions Business Unit &
Department Manager of Marketing Department

Business Strategies for Medium-Term Management Plan Update

Enter regenerative medicine contract manufacturing business and accelerate launch of stem cell business

Secure the leading position in the microscope industry

Message



What was your impression of the fiscal year ended March 31, 2015?

Overall, the market environment for biological microscopes, the mainstay product of the Microscope Solutions Business Unit, was flat compared with the previous year. Although there was steady progress in overseas sales, the Japanese market declined, reflecting a reduction in public spending in Japan. Under these circumstances, as a result of the initiatives that we have been working on intensively in recent years—expanding our market share and improving the cost of sales ratio—the Microscope Solutions Business Unit was able to achieve a profit on its own.

Following the June 2014 reorganization of our corporate structure, under which we changed from an in-house company system to a divisional system, I feel we have reached the point at which we can demonstrate clear results as a business unit and everyone's awareness has been raised.



What will be the focus of your strategies to achieve the Medium-Term Management Plan?

The biological microscope business currently underpins the Microscope Solutions Business Unit's profit. The market seems to be growing steadily, but significant expansion is not expected. We are thus vigorously promoting sales growth by ongoing improvements in market share and cost reductions. The investment of sales, general and administrative expenses is important, and this is an area on which we are focusing. In development, we will continue to focus on microscope-related software. Even with regard to sales personnel, in view of our share of the market, the market scale, and future growth potential, personnel distribution will be emphasized in regions with high-growth potential. In other regions, we will implement measures designed to improve sales efficiency with current levels of resources in those regions.

Following the Revised Pharmaceutical Affairs Act, which became effective in November 2014, we plan to build a business base in the field of regenerative medicine, where market revitalization is expected. Although we are still some distance away from making contributions to profit, I regard any entry into a new business domain as indispensable for future growth.

In addition to earning stable revenues from the existing biological microscope business, we will accelerate business development in new domains, such as regenerative medicine, and aim to bring the Medium-Term Management Plan to fruition.

Q Please tell us your views on the prospects for Nikon's new business domain, the field of regenerative medicine.

We have been developing business in the manufacture and sales of the BioStation CT, which is a cell culture observation system for live cells, including iPS cells, since 2007. In 2013, we took an equity stake in Healios K.K. (formerly Retina Institute Japan, K.K.) and are now working toward the realization of regenerative medicine for patients with retinal disease, such as age-related macular degeneration, which Healios addresses using iPS cells.

In May 2015, Nikon signed a strategic collaboration agreement with Lonza, of Switzerland, the world's largest manufacturer of cells for regenerative medicine therapeutics, and announced the Company's entry into the contract manufacturing of regenerative medicine products in Japan. While incorporating the know-how in high-quality cell manufacturing technologies that Lonza possesses, Nikon will use its live cell imaging technologies that analyze the state of living cells, one of its strengths, which will lead to success in the contract manufacturing of cells for regenerative medicine.

In the future, centered on the know-how gained from the manufacture of equipment that assays cell quality, the establishment and supply of protocols, or procedures for cell generation, will come into view.

The recording of sales from the new business in the regenerative cell field is expected from the fiscal year ending March 31, 2018, onward. Full-scale business operations are being considered from around 2020.

Q Please tell us about the long-term prospects for the Microscope Solutions Business Unit.

To simply express our vision of what we are aiming to offer, I think it comes down to wanting to remain a business unit that utilizes science to contribute to people's health. To be more specific, we will quickly gain an early leading position in the biological microscope business. By entering the regenerative medicine field, we will be able to build relationships with new customers, which I believe will lead to business opportunities for biological microscopes. In addition, in new business domains, I would like to be ready for future major advances in the regenerative medicine market through iPS cells, develop the necessary products and consumables to optimize the production of high-quality cells, and provide total solutions, including hardware and software. I will aspire to establishing us in the leading position, so when somebody speaks of regenerative medicine, people immediately think of Nikon.

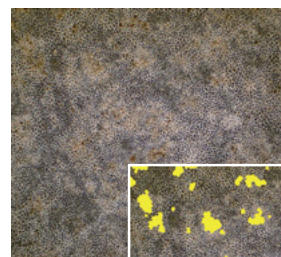


Super resolution microscope
N-STORM 4.0

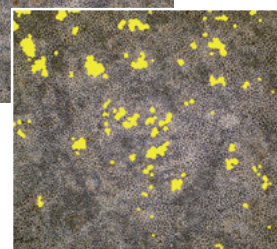


Cell culture observation system
BioStation CT

Image Analysis (Retinal Pigment Epithelial Cells)



Before image analysis



After image analysis

* Yellow areas: Designated mature cells automatically determined through image analysis

Instruments Business

Industrial Metrology Business Unit



We are changing our business model from the existing business, which focuses on the sale of hardware, to a business that provides solutions, aiming to create unprecedented new products and services.

Masao Nakajima
Senior Vice President
General Manager of Industrial Metrology Business Unit

Business Strategies for Medium-Term Management Plan Update

Utilizing M&A and alliances centered on X-ray inspection and non-contact sensor 3D metrology systems to expand business scale and fields

Expand application software development capabilities in addition to hardware sales to evolve into a business that provides solutions

Message

Q How would you sum up the fiscal year ended March 31, 2015?

In the past few years, the Instruments Business has continually recorded business losses, but in the fiscal year ended March 31, 2015, the business succeeded in returning to profit for the first time since the fiscal year ended March 31, 2008, and within the business, the Industrial Metrology Business Unit realized a profit on its own. There are several reasons for this success, but I believe the main reason was the effect of the corporate structural reorganization. Previously, the current Microscope Solutions Business Unit and the Industrial Metrology Business Unit were one organization, but following the June 2014 corporate realignment they both became independent units. All the employees assigned to the Industrial Metrology Business Unit had to achieve a profit entirely from their own efforts, and there was a very strong awareness of this mission. The business targets set at the beginning of the fiscal year were very high, but we achieved results that improved on those targets across the board. At the same time, I believe another major factor was our ability to hold down selling, general and administrative expenses due to the progress made with cost reductions.

We rapidly targeted the needs of customers in the electronic component and automotive industries, and ahead of schedule we sold several products that had not even been planned to be launched in the fiscal year ended March 31, 2015. Generally, underperforming businesses are prone to a state of contracted equilibrium, including the implementation of budget cuts, but we focused on investment and boldly allocated management resources where we thought they were needed. Growing customer demand was skillfully captured, and we were able to turn that demand into sales. Going forward, while diligently capturing customer needs, we will invest management resources in targeted areas and link those resources to the maximization of profit.

Q Please tell us about your initiatives under the Medium-Term Management Plan Update.

We are making progress in shifting from the existing business, which focuses on the

sale of equipment, or in other words hardware, to a business that addresses challenges from the customer's perspective and both develops and provides the solutions to those challenges. As part of those efforts, we established a new section within our business unit in June 2015, which not only probes market and customer needs but also enhances software products and has taken on the role of raising the level of our problem-solving capabilities. For any need that arises for technologies or software that the Company does not possess in house, we will continue to develop optimal solutions through alliances with outside companies and M&A, among other measures.

We believe the equipment that we develop and market has superior performance, but we have decided to target broad industries, such as the automotive and aircraft industries. Despite making approaches, the level of familiarity with Nikon products is currently not high. To improve awareness, we are opening showrooms to introduce such equipment as 3D metrology systems in industrial parks in Indonesia, Thailand, and Mexico in 2015. Targeting customers that do not possess Nikon equipment, we would like to raise awareness by reviewing a service by which we conduct regular measurements and allow potential customers to come into direct contact with Nikon's technologies and precision.

Q What are your thoughts on cost reductions?

Many of the products of this business unit have only just entered mass production, so making drastic cost reductions will present a challenge. However, if we can draw on the know-how within the Nikon Group as soon as possible, cost reductions can be truly realized, and we believe they will contribute greatly to an improvement in the operating margin.

If we continue to firmly capture market and customer needs and are rapidly successful through our own aggressive efforts, centered on the new section that was established in June 2015, we will be able to reduce unit costs commensurate with the increase in the number of units produced. However, even if we raise production, our policy of placing top priority on quality will remain unchanged, and the ongoing policies will be to keep a watchful eye on the production process and continuous improvement.

Q A year after your appointment as general manager of this unit, what image do you now have of the medium-to-long-term business model?

When I think of our situation in five or 10 years' time, it is possible the current product lineup will have turned into something completely different. We do not follow the "product out" model, and since the policy is to engage by means of the "market in" concept, I consider this to be a natural flow. I would rather create an organization and systems that can continue to respond flexibly, even within the "market in" concept.

Today, when you survey the world of industry, unprecedented moves are under way, such as the fourth industrial revolution and the Internet of Things (IoT). Instead of trying to keep pace with these changes, however, we have to provide a product lineup that is ahead of the times from the current perspective. We are encouraging the recruitment of highly capable mid-career personnel with experience in other industries who have been incorporating processes and ideas that the traditional Industrial Metrology Business Unit has never utilized. I am expecting these processes and ideas will generate unprecedented new products and services from this business unit.



CNC video measuring system **iNEXIV VMA-4540**



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



X-ray inspection system **XT V 160**

Medical Business Development Division



While remaining keenly aware of quick decisions and actions, we will launch the Medical Business.

Masato Hamatani
Corporate Vice President
General Manager of Medical Business Development Division

Business Strategies for Medium-Term Management Plan Update

Focus on nurturing in-vitro diagnosis business
Earlier development of biomicroarrays, POCT devices, and ophthalmic instruments

Continue M&A and CVC

Although the sales plan has been largely revised in the planned period, the policy to prioritize the development of growth driver businesses is unchanged.

Message

Q You were appointed as general manager of the Medical Business Development Division in June 2015, so please tell us about your enthusiasm for your new position.

I had been involved in the development of semiconductor lithography systems for many years. Those systems are very expensive, and if for any reason they cease to operate, customers end up incurring significant losses. I was able to take on the vital challenge of ensuring the systems could be kept operating at all costs by, for example, building systems that would restore everything to normal immediately if problems occurred. The products from the Medical Business are deeply involved with the human body, therefore they demand high degrees of accuracy and stability. Drawing fully on my previous experience, I intended to become involved in the development of highly reliable products. In addition, since I believe that the most important points in conducting business are making quick decisions and taking action, even when we launched the Medical Business, I was strongly aware of that belief and intended to translate it into results.

Q Please tell us about the aims in acquiring the U.K.-based company Optos Plc.

We completed the acquisition of Optos Plc, and the company officially became a wholly owned subsidiary in May 2015.

Possessing strengths in the testing and diagnostic fields in the retinal area inside the eye, Optos is a leading company in the retina diagnostic imaging equipment market. With the fundus camera utilized in the company's unique advanced technologies as its mainstay product, Optos is undertaking business development on a global scale. In the area of image diagnosis, synergies are expected with the technologies at Nikon's disposal, and further development will be possible by utilizing the Nikon Group's global sales and procurement networks.

It has been pointed out that one of the reasons for selecting Optos was its unique ultra-widefield (UWF) technology. This technology enables the instant capture of images of approximately 82% of the retina, which is overwhelmingly superior to any other product on the market. Combining Optos' technologies with our in-house optical,

image processing, and precision control technologies, we will accelerate the development of non-invasive and minimally invasive diagnostic equipment with high precision and high reliability.

We are continuing to examine other M&A-related opportunities, in line with our policy to engage in projects we are convinced will enable the creation of synergies in the same way as with Optos.

Q How are your plans progressing for expanding your business domains?

At the present time, we are placing emphasis on cultivating the diagnostic business, including that of Optos, and are working toward early commercialization.

First, we plan to focus on the biomicroarray business. The biomicroarray technology enables simultaneous examination and testing and is used in a wide variety of probe objects, including DNA, proteins, and sugar chains as well as other molecules. In this product field, we are advancing the development of highly competitive technologies that provide information, at an order of magnitude greater than conventional devices, by leveraging the technologies that Nikon possesses in semiconductor lithography. In this field, we are aiming for initial commercialization in the United States.

At the same time, we are focusing on the point-of-care testing (POCT) business. In simpler terms, POCT involves in-situ diagnosis by enabling specimens, such as blood, to be examined in situ and an immediate diagnosis to be given. We are working to develop this

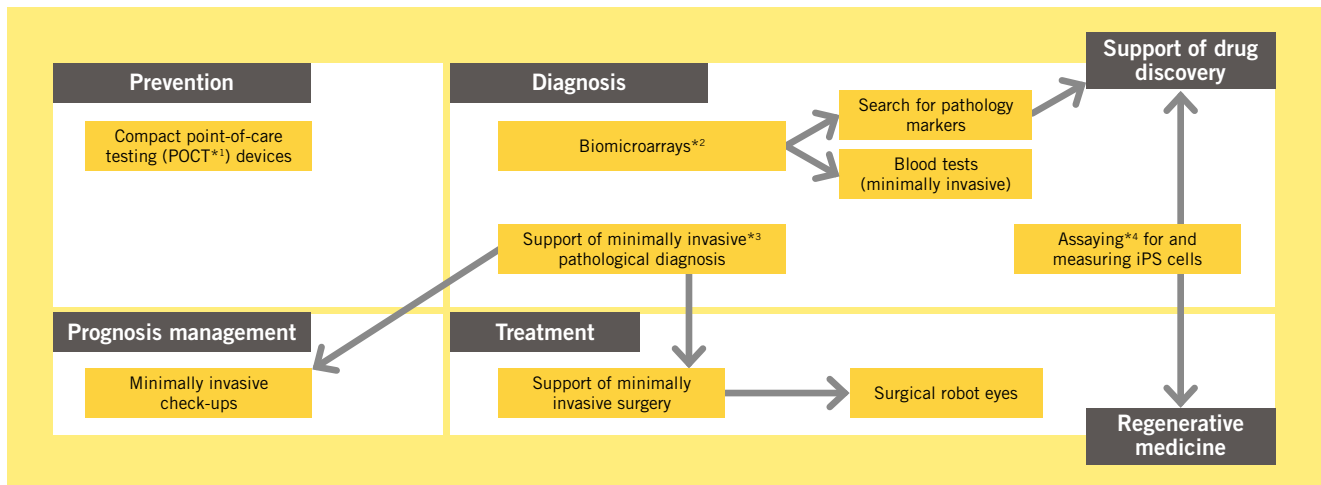
diagnostic equipment by drawing on a range of technologies, including Nikon's optical and precision technologies. In 2014, we started collaboration with LSI Medience Corporation, which develops testing- and analysis-related business, and are now proceeding with the development of a product that benefits from technologies that are deemed to be our respective specialties.

Q To what aspects are you attaching importance in developing the Medical Business?

First, we must accurately ascertain the needs of the market. To enable us to do that, it is essential we build relationships with as many key opinion leaders (KOLs) as possible. By obtaining accurate information from KOLs, we will examine what and whether Nikon's core competencies can be brought to bear on unmet medical needs.

Within Nikon, engineers will be required to possess the specialist knowledge that will enable them to accurately understand the needs of healthcare workers, such as doctors. For example, in the case of cameras, product development cannot be conducted without an understanding of how the product is used. For reflecting needs in our products, it is necessary to understand how healthcare workers handle equipment, carry out diagnosis, and use equipment during surgery. We need to develop the engineers who will unearth the seeds of business, as these strategies are indispensable in the development of Nikon's Medical Business. We will make enterprising progress that will include hiring specialized experts.

Medical Business Overview



*1. POCT: Support of minimally invasive pathological diagnostic procedures conducted as point-of-care testing that takes place at clinics, the patient's home, or in examination rooms or at a patient's bedside at hospitals
 *2. Biomicroarrays: Utilized in the biotechnology field, a technology that enables simultaneous examination and testing and is used in a wide variety of probe objects (DNA, proteins, sugar chains, and other molecules)
 *3. Minimally invasive: Refers to causing the least possible harm to a patient's body, including pain, fever, or blood loss associated with surgery, and testing or treatment
 *4. Assay: Analysis and testing in the biotechnology field

Directors, Corporate Auditors, and Officers

(As of July 1, 2015)



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 Imaging Business Unit and Business Support Division
2015 Senior Vice President and Director, Overseeing Business Support Division, Imaging Business Unit, Microscope Solutions Business Unit and Industrial Metrology Business Unit (to present)

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, Vice President of Precision Equipment Company, Vice Officer in charge of Corporate Planning Headquarters
2014 President and Director, Overseeing Business Development Division and Medical Business Development Division
2015 President and Director, Overseeing Corporate Strategy Division, Medical Business Development Division and 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 (to present)

Junichi Itoh 3

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

1975 Joined Mitsubishi Bank, Ltd.
2002 Executive Officer of The Bank of Tokyo-Mitsubishi, Ltd.
2005 Managing Executive Officer of The Bank of Tokyo-Mitsubishi, Ltd.
2005 Managing Director of The Bank of Tokyo-Mitsubishi, Ltd.
2006 Managing Director of The Bank of Tokyo-Mitsubishi UFJ, Ltd.
2009 Senior Managing Executive Officer of The Bank of Tokyo-Mitsubishi UFJ, Ltd.
2011 Director, Member of the Board & Senior Executive Vice President & CFO, Officer in charge of Corporate Planning Headquarters and Finance & Accounting Headquarters, the Company
2012 Director, Member of the Board & Senior Executive Vice President & CFO, Officer in charge of Corporate Planning Headquarters, Finance & Accounting Headquarters and Information Security Headquarters
2014 Senior Executive Vice President, CFO and Director, Overseeing Corporate Strategy Division and Internal Audit Department
2015 Senior Executive Vice President, CFO and Director, Overseeing Internal Audit Department 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 (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)

Kenji Matsuo ⁹

External Director

1973 Joined Meiji Life Insurance Company
2001 Director of Meiji Life Insurance Company
2004 Director of Meiji Yasuda Life Insurance Company
2005 Managing Director of Meiji Yasuda Life Insurance Company
2005 President, Representative Director of Meiji Yasuda Life Insurance Company
2006 External Director, the Company (to present)
2006 President, Representative Executive Officer and Director of Meiji Yasuda Life Insurance Company
2013 Senior Advisor of Meiji Yasuda Life Insurance Company (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)

Koukei Higuchi ¹⁰

External Director

1960 Joined The Tokio Marine & Fire Insurance Co., Ltd.
1996 President of The Tokio Marine & Fire Insurance Co., Ltd.
2001 Chairman of The Tokio Marine & Fire Insurance Co., Ltd.
2003 Counsellor of The Tokio Marine & Fire Insurance Co., Ltd.
2004 Counsellor of Tokio Marine & Nichido Fire Insurance Co., Ltd.
2010 External Director, the Company (to present)
2013 Honorary Adviser of Tokio Marine & Nichido Fire Insurance Co., Ltd. (to present)

Corporate Auditors

Norio Hashizume ¹¹

Standing Corporate Auditor

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 (to present)

Koichi Fujii ¹²

Standing Corporate Auditor

1978 Joined the Company
2008 General Manager of Internal Audit Department
2014 Standing Corporate Auditor (to present)

Haruya Uehara ¹³

External Corporate Auditor

1969 Joined Mitsubishi Trust and Banking Corporation
1996 Director of Mitsubishi Trust and Banking Corporation
2002 Deputy President 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 Corporate Auditor, the Company (to present)
2012 Senior Advisor of Mitsubishi UFJ Trust and Banking Corporation (to present)

Hiroshi Hataguchi ¹⁴

External Corporate Auditor

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 Daichi Tokyo Bar Association
1996 Governor of Japan Federation of Bar Associations
2010 Established Hataguchi Legal Office (to present)
2011 Corporate Auditor, 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

Nobuyoshi Gokuy

Senior Vice President

General Manager of Imaging Business Unit

Masao Nakajima

Senior Vice President

General Manager of Industrial Metrology Business Unit

Kazuyuki Kazami

Corporate Vice President

General Manager of Business Development Division

Tsuneyoshi Kon

Corporate Vice President

General Manager of Business Support Division

Toru Iwaoka

Corporate Vice President

President & CEO of Nikon Inc.

Kenji Yoshikawa

Corporate Vice President

Corporate Strategy Division

Atsumi Nakamura

Corporate Vice President

General Manager of Microscope Solutions Business Unit & Department Manager of Marketing Department

Takumi Odajima

Corporate Vice President

Corporate Strategy Division

Jun Nagatsuka

Corporate Vice President

Deputy General Manager of Medical Business Development Division

Yojiro Tanii

Corporate Vice President

General Manager of Customized Products Business Unit

Kiyoyuki Muramatsu

Corporate Vice President

General Manager of FPD Lithography Business Unit

Hiroyuki Hiraiwa

Corporate Vice President

General Manager of Glass Business Unit

Tetsuya Yamamoto

Corporate Vice President

Sector Manager of Development Sector, Imaging Business Unit

Naoya Sugimoto

Corporate Vice President

Corporate Strategy Division

Tadashi Nakayama

Corporate Vice President

Sector Manager of Marketing Sector, Imaging Business Unit

Makoto Shintani

Corporate Vice President

Department Manager of Alliance Development Department, Corporate Strategy Division

Masato Hamatani

Corporate Vice President

General Manager of Medical Business Development Division

Satoshi Hagiwara

Corporate Vice President

General Manager of Finance & Accounting Division

Corporate Governance

Management System

The Nikon Group carries out its business through a divisional organization under the direct control of the president. We have also established a management system that responds swiftly to changes in the business environment through our officer system.

Board of Directors and the Executive Committee

The Board of Directors makes prompt decisions on matters of importance to the Nikon Group and monitors the exercise of duties by directors. Two independent external directors sit on the Board to strengthen the supervisory functions of the Board of Directors.

The Executive Committee deliberates on and resolves major issues regarding the general operation of the Company's business, internal controls, and management, in accordance with the basic management policies as determined by the Board of Directors. This body also receives reports from each department regarding critical matters.

Board of Corporate Auditors

Corporate auditors periodically attend important meetings, such as those of the Board of Directors and the Executive Committee, in order to supervise the execution of duties by directors as well as to perform monitoring and auditing of corporate management and directors. Two independent external corporate auditors are also invited to the Board of Corporate Auditors.

Compensation Committee

The Compensation Committee, which includes experts from outside the Nikon Group, was established to enhance the objectivity and transparency of matters related to the compensation of directors, officers, and corporate auditors and to ensure that decisions on remuneration are linked to corporate financial results. The obligations of this committee include examining and proposing guidelines

Number of Female and Non-Japanese Directors, Corporate Auditors and Officers (As of March 31, 2015)

Nikon Corporation	Number of female: 0; number of non-Japanese: 0
Group companies	Number of female: 3*; number of non-Japanese: 28*

* 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.

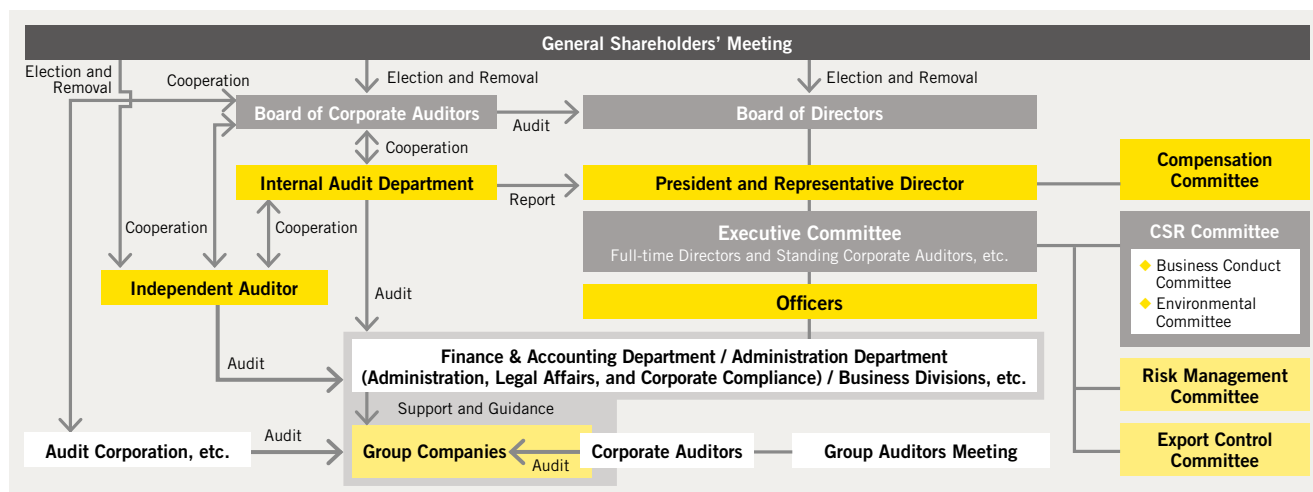
Females—Directors: 1; corporate auditors: 1; officers: 1
Non-Japanese—Directors: 13; corporate auditors: 2; officers: 13

Attendance at Meetings of the Board of Directors and Board of Corporate Auditors by External Directors and External Corporate Auditors (Year ended March 31, 2015)

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 14 meetings	—
	Koukei Higuchi	Present at 13 of 14 meetings	—
External corporate auditors	Haruya Uehara	Present at 13 of 14 meetings	Present at 8 of 9 meetings
	Hiroshi Hataguchi	Present at 13 of 14 meetings	Present at 9 of 9 meetings

for the compensation of directors, officers, and corporate auditors and other related systems. With regard to the Compensation Committee, which will conduct deliberations and deliver recommendations on remuneration for the year ending March 31, 2016, the Company will add an external director as a member.

Nikon's Corporate Governance Organization (As of June 26, 2015)



Compensation for Directors and Corporate Auditors (Year ended March 31, 2015)

Category	Monthly compensation		Subscription rights to shares granted as stock-related compensation		Bonus		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)	12 (2)	¥331 million (¥20 million)	8 (—)	¥113 million (—)	8 (—)	¥86 million (—)	12 (2)	¥531 million (¥20 million)
Corporate auditors (External corporate auditors out of all corporate auditors)	6 (3)	¥73 million (¥22 million)	—	—	—	—	6 (3)	¥73 million (¥22 million)
Total	18	¥405 million	8	¥113 million	8	¥86 million	18	¥605 million

Note: The number of persons shown above includes one director (excluding external directors) and two corporate auditors (including one external corporate auditor) who retired at the conclusion of the 150th Annual General Shareholders' Meeting held on June 27, 2014.

Method for Calculating Compensation

Basic policies regarding compensation	<ul style="list-style-type: none"> The compensation system is intended to provide motivation for continuous efforts to improve corporate and shareholder value and be capable of enhancing drive and morale. The compensation system is intended to enable the securing and retention of talented human resources as well as support their development and offer incentives. Decision-making processes within the compensation system should be objective and highly transparent.
Compensation structure	The compensation structure for directors consists of a firmly fixed monthly compensation, a bonus linked to the degree of achievement of corporate performance objectives in a single fiscal year, and subscription rights to shares granted as stock-related compensation. The latter encourages directors and officers to share a common awareness of value with shareholders and further enhances motivation and morale for long-term improvements in performance. Compensation for external directors, non-full-time directors, and corporate auditors consists of fixed monthly compensation only. Furthermore, the Company abolished the system of director retirement benefits and corporate auditor retirement benefits with effect from June 2011.
Performance-based system linked to corporate financial results	The amount of bonus paid in a single fiscal year can fluctuate between zero to two times the standardized minimum for such bonuses depending on performance evaluation indicators and the degree of achievement of performance objectives for duties for which the director or officer is responsible. Consolidated net sales, consolidated ordinary income, and consolidated cash flow are used as performance evaluation indicators.
Method for deciding compensation level and payment amount	To ensure that compensation levels and structures are decided appropriately and in line with duties and responsibilities, the Compensation Committee, which includes experts from outside the Nikon Group, examines and offers proposals regarding related systems. Compensation levels at major Japanese companies with global operations are also considered in setting compensation at a level that reflects the Company's business performance and scale. The Compensation Committee, which comprises a representative director and several outside experts, determines policy regarding compensation for directors, officers, and corporate auditors, examines systems, and deliberates issues such as specific methods for calculating compensation. The Board of Directors decides director and officer compensation based on the results of such deliberations, while compensation for corporate auditors is decided in consultation with the corporate auditors.

Note: With regard to the remuneration system for the year ending March 31, 2016, the Company will introduce the Performance-based Stock Remuneration System, which will strongly link compensation with performance shown in medium-term management plans, and add an external director as a member of the Compensation Committee.

Compensation for Independent Auditor (Year ended March 31, 2015)

Independent Auditor	Category	Payment
Deloitte Touche Tohmatsu LLC	Total amount of remuneration, etc., of independent auditor during the fiscal year under review	¥87 million
	Total amount of money and other properties that the Company and its subsidiaries must pay in remuneration of independent auditor for its services to the Company and its subsidiaries during the fiscal year under review	¥184 million

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 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.

In addition to the president and the directors concerned, the corporate auditors are apprised of all internal audit reports of the Nikon Group. The sharing of information and close cooperation are achieved by means of regular meetings with the Internal Audit Department.

Risk Management

To properly respond to risks that may have a major impact on management, the Nikon Group has created the Risk Management Committee, which is chaired by a senior executive vice president, as its organization for risk management coordination.

In addition, the Nikon Group conducts risk identification surveys to gain overall insight into the risks potentially affecting the Group and then performs risk assessment, in which it identifies, analyzes, and evaluates criteria 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 and determine the order of priority for addressing them. We also compare our risk map with those of other manufacturing industries to detect any risks that may have been overlooked inside the Group. We regularly update the risk map and visualize the progress of countermeasures as well as subsequent changes in the monitored risks.

Nikon CSR Activities That Support Growth

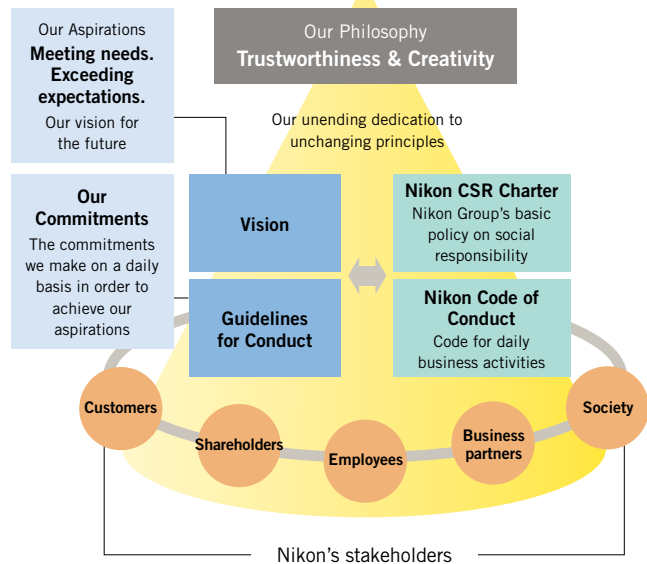
The Nikon Group's Approach to CSR

The Nikon Group, fulfilling CSR is positioned in the processes to embody its corporate philosophy: "Trustworthiness and Creativity." We seek to contribute to the sustainable development of society by responding sincerely to the trust that society places in us and creating new value that exceeds expectations.

In 2007, looking ahead to the centenary of the founding of the Company, the Nikon Group formulated "Our Aspirations" and "Our Commitments."

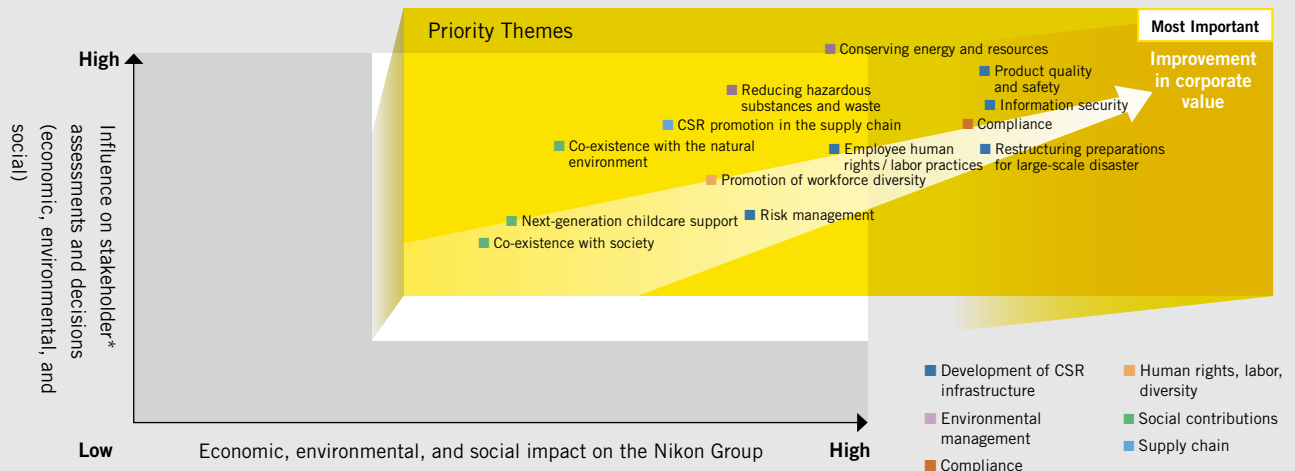
Our basic policy on social responsibility is set out in the Nikon CSR Charter, and our code of daily business activities is defined in the Nikon Code of Conduct. Furthermore, we participate in the United Nations Global Compact and support its Ten Principles regarding human rights, labor, the environment, and anti-corruption. We also take into account related international codes in the pursuit of business activities.

Nikon's High-Level Policy and Stakeholders



Priority Issues in the Medium-Term CSR Plan

The Nikon Group promotes "CSR-oriented management." For CSR promotion activities, we work to identify priority issues, set the medium-term plans for each issue, and carry out initiatives according to those plans.



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

CSR Promotion System

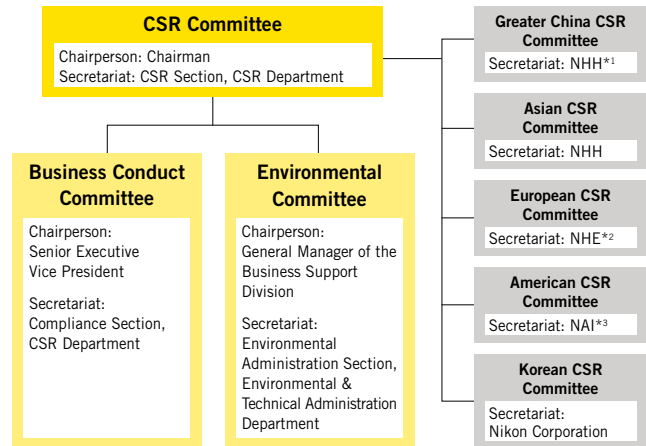
The Nikon Group has established the CSR Committee, chaired by the chairman, and with members drawn from the Executive Committee. The CSR Committee convenes twice a year, and through progress reports on CSR activities the committee stays abreast of overall CSR activities and reviews policies and plans of CSR promotional activities. The Business Conduct Committee and the Environmental Committee have also been established as cross-divisional specialist sub-committees to promote CSR while liaising with the CSR Committee.

■ Enhancement of CSR Promotion Systems at Group Companies outside Japan

A high percentage of the Nikon Group's sales and employees are based outside Japan. Accordingly, it is essential for the Group to foster CSR activities not only in Japan but also abroad.

While respecting the characteristics of each region, the Nikon Group has established functions to manage and promote CSR at the holding companies in every region to promote a consistent approach. The Group also arranges region-specific CSR committee meetings, which include Group company presidents from those regions as members, and CSR meetings that have as members the CSR coordinators of each company.

CSR Promotion Organization (As of July 31, 2015)



*1. NHH: Nikon Holdings Hong Kong Limited

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

*3. NAI: Nikon Americas Inc.

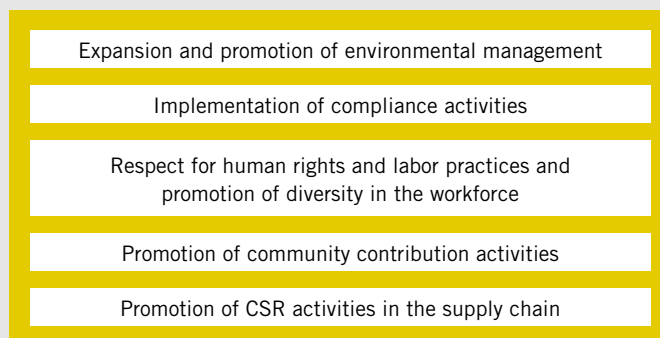
* "Greater China" refers to China, Hong Kong, and Taiwan, and the "Asia" refers to Asian countries excluding Greater China and Korea, Oceania, and the Middle East.

Nikon is currently promoting CSR in six distinct countries and regions: Japan, Greater China, Asia, Europe, the Americas, and Korea.

Priority Issues in the CSR Medium-Term Plan

(Three-year plan from the year ending March 31, 2016, to 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.



The Nikon Group clarifies priority CSR issues, based on the expectations of its stakeholders and examinations of social trends, and summarizes those issues that have been given a particularly high priority into five items. The Group's common priority issues are then decided by the CSR Committee. Annual targets are set for each priority issue, and progress toward those targets are reported to the CSR Committee every six months.

While emphasizing communications with stakeholders, we will continue to work to improve objectivity, validity, and transparency.

CSR Priority Issues: Activity Highlights

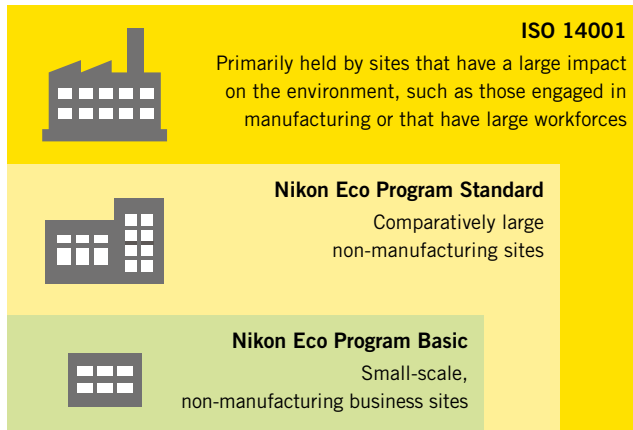
■ Expansion and promotion of environmental management

Reducing Environmental Impact in Offices

The Group is promoting the reduction of environmental impact by making reforms to office equipment within the Group. We have been promoting the replacement and optimal positioning of multifunction printers since June 2013 and have completed installation at 19 domestic Group companies. We commenced installation at mainly Asian overseas Group companies in January 2015. Through this initiative, the amount of paper purchased by Nikon Corporation in the fiscal year ended March 31, 2015, was 20.6% less than in the previous year.

With regard to its non-manufacturing facilities that have low environmental impact, the Nikon Group is promoting the introduction of the Nikon Eco Program, which consists of the key elements from the ISO 14001 international standard. Having completed the system's introduction at sites already targeted in Japan, during the fiscal year under review we commenced its introduction at overseas sites. Utilizing the Nikon Eco Program, we will work to enhance our environmental activities in offices.

Environmental Management at Nikon



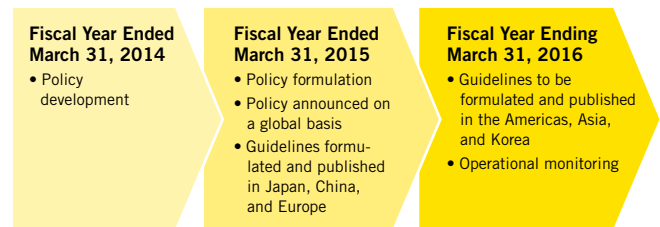
■ Implementation of compliance activities

Establishing Group Anti-Bribery Guidelines

Moves toward anti-bribery measures have been gathering momentum on a global scale in recent years. To reinforce its own measures to prevent corruption, the Nikon Group established the Nikon Anti-Bribery Policy in April 2014. To show specific prevention measures to employees, the Group is developing regional guidelines based on the policy.

In the fiscal year ended March 31, 2015, the guidelines were published for Group companies in Japan, China, and Europe. To ensure their effectiveness, each regional holding company took the lead in the development of these guidelines by sharing the knowledge of national laws and business customs, and confirming each company's existing rules. As part of the risk assessment, the Group conducted interviews with relevant responsible persons in local Group companies. In the fiscal year ending March 31, 2016, guidelines will be formulated and published for Group companies in the Americas, Asia, and Korea, so that the guidelines will be available globally.

Flow of Nikon Group Activities



Payment of Taxes

In compliance with the actual situation in each country in which its business operations are conducted, the Nikon Group pays corporation taxes and other forms of taxes in accordance with the national laws and regulations of those countries.

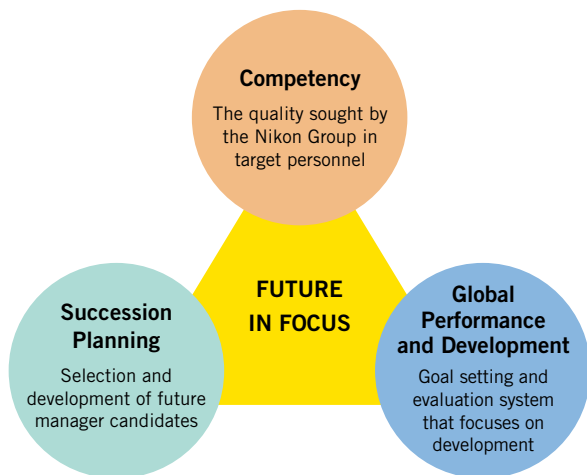
■ Respect for human rights and labor practices and promotion of diversity in the workforce

Development of a Global Human Resources Policy

The Group inaugurated FUTURE IN FOCUS as a Group human resources policy, which will strongly support the realization of the Medium-Term Management Plan, "*Next 100 – Transform to Grow.*" FUTURE IN FOCUS aims to foster diverse human resources and to build an environment where employees are able to succeed in a wide range of fields, regardless of nationality, race, or gender. The development of competency, which is one of the pillars of this policy, was the result of a collaborative effort put forth by the Global Human Resources Management Team, consisting of human resources representatives from some of the Group companies as well as Nikon Corporation's Board of Directors and selected employees who participated various discussion and interviews.

FUTURE IN FOCUS is going to be introduced to Nikon Corporation and some of the Group companies from the year ending March 31, 2016, and subsequently to other Group companies from the year ending March 31, 2017.

Three Pillars of FUTURE IN FOCUS



Promotion of social contribution activities

Scholarships in Laos

Supporting the future of Laos and the development of human resources to cultivate friendly relations with Japan, the Nikon Group established two scholarships in May 2014. Despite rapid economic growth and development in recent years in Laos, there are quite a number of cases of students who are not blessed with the opportunity to receive an



Scholarship award ceremony at Savannakhet University (March 2015)

education due to severe economic conditions. Thus, every year, with the cooperation of the Education for Development Foundation Japan (EDF-Japan), the Nikon-EDF Japan Scholarship for Laos program supports the education of 100 junior high school students in Savannakhet Province, where Nikon Lao Co., Ltd., is located, while the Nikon-JICA Scholarship for Laos program provides financial aid to 40 students at Savannakhet University.

Moreover, having established the Nikon Shanti Scholarship in Thailand, the Nikon Group is supporting education for students from junior high school to university.

Promotion of CSR activities in the supply chain

Formulation of CSR Procurement Standards

Nikon promotes CSR procurement to address CSR issues, including the prevention of bribery and respect for human rights, along entire supply chains.

Previously, the Nikon Group had formulated CSR procurement guidelines and progressively enhanced its briefings, CSR questionnaire surveys, interview surveys with individual procurement partners, visit confirmations, and approaches to procurement partners. In March 2015, to bring about a further ramping up of those previous activities, the Group drew up new CSR Procurement Standards. Referencing the Electronic Industry Citizenship Coalition (EICC),* which has become one of the international standards in CSR procurement, the criteria set out an evaluation index of important issues in today's supply chains. Moreover, the Group implemented monitoring surveys at two companies to test the criteria's validity. On the basis of the new standards, the Group will review its systems to more effectively reduce CSR risk in the fiscal year ending March 31, 2016.

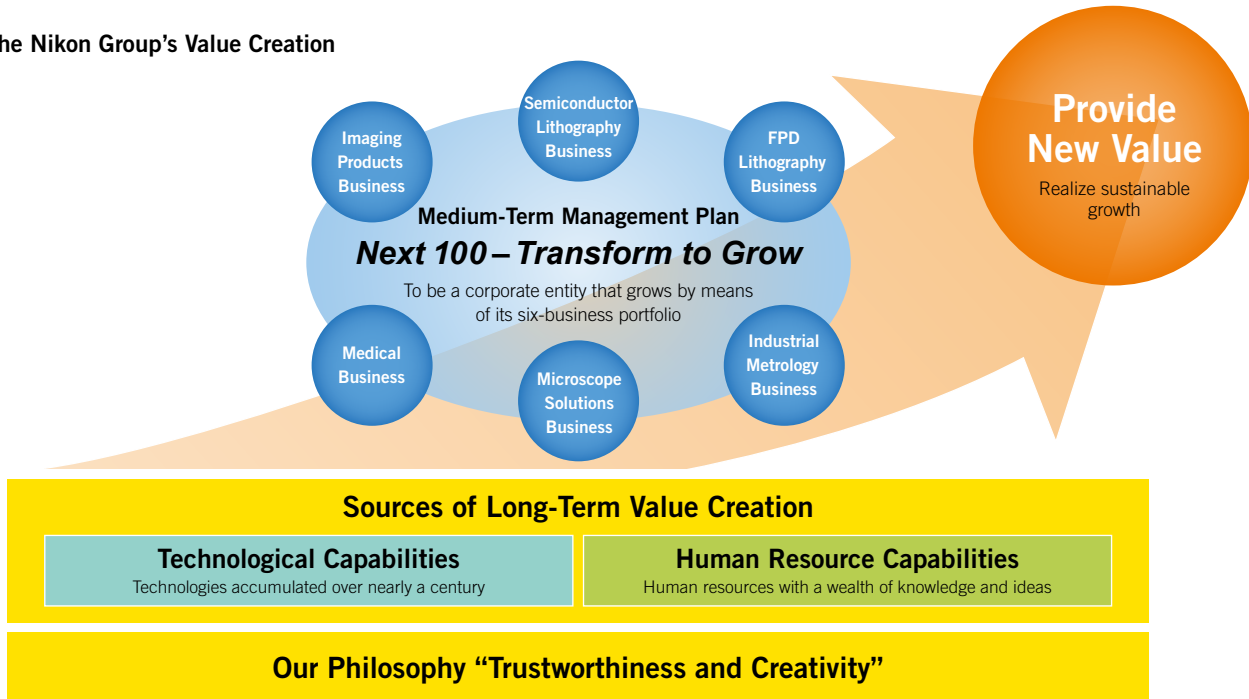
* Electronic Industry Citizenship Coalition. Primarily comprising European and U.S. companies, an electronic device industry CSR alliance established in 2004. Prescribes the CSR standards covering supply chains in the EICC Code of Conduct.

As more detailed CSR information is posted on our website, please visit: <http://www.nikon.com/about/csr/index.htm>

Sources of the Nikon Group's Value Creation

Under its corporate philosophy of “Trustworthiness and Creativity,” the Nikon Group has always offered new value and aimed for sustainable growth. We have recognized our accumulated technological and human resource capabilities as the sources that have enabled us to pursue the value demanded by our customers and to continuously provide products and services for nearly 100 years. The Nikon Group has positioned these two capabilities as drivers of the value creation that is critical for the achievement of the targets in its Medium-Term Management Plan.

The Nikon Group's Value Creation



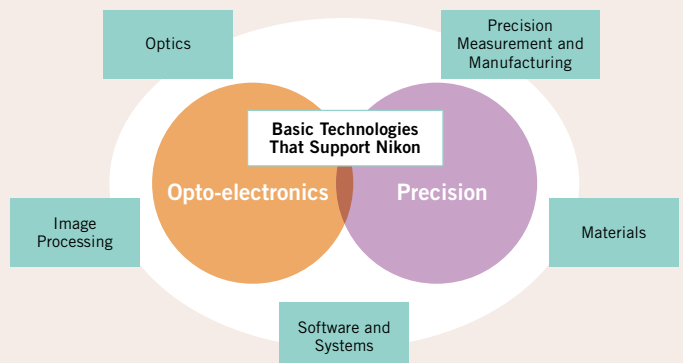
Technological Capabilities

Technological Capabilities as a Driver of Value Creation

Advanced technological capabilities underpin the trustworthiness of the Nikon brand. These capabilities are the fruits of technological development and R&D that have continued unabatedly since the Company's establishment in 1917.

At Nikon, advances in R&D stem from collaboration between the Core Technology Division, which advances the development of leading-edge elemental technologies and basic research, and each business unit, in the Precision Equipment, Imaging Products, and Instruments businesses. Through collaboration among the Core Technology Division and each unit, Nikon's “technologies of trust” are nurtured, and the products and services that provide society with new value are created.

For the Nikon Group, technological capabilities underpin today's Nikon and serve as the critical driver that will be central to the next-generation Nikon. Through ongoing investment in R&D, such capabilities will realize sustainable growth.



Key Person's Message

We will maintain the ratio of R&D spending to net sales at approximately 7% to 8% and focus especially on the rapid launch of the Medical Business.

Hiroshi Ohki

Senior Vice President and Director,
General Manager of Core Technology Division



Q Please tell us about the role played by the Core Technology Division.

The Nikon Group has many technologies and the competence of each and every one of its engineers is of the highest order. It is my belief that we are second to none when it comes to the performance of our products, which include our mainstay lithography systems, digital cameras, and microscopes.

In contrast, even with so many technologies at our disposal, they are widely distributed across the entire Nikon Group, and thus creating new value that integrates one technology with another is not necessarily an easy task.

After determining whether the Nikon Group possesses particular technologies, the Core Technology Division fulfills the function of a hub to connect the technologies of all the companies in the Nikon Group. To create synergies that transcend business unit borders in the years ahead, the Core Technology Division enterprisingly promotes the integration and effective utilization of technologies.

Q What initiatives are you considering to accelerate value creation?

We currently have databases to consolidate technical information, but from now on, nurturing the engineers that comprehend and ascertain the technologies of the entire Group and support our hub function will be necessary.

Primarily from these engineers, I am expecting the creation of ideas and synergies that will integrate technologies. In 2014, we thus established the Technical Synergy Development Section within the Core Technology Division. During the fiscal year ending March 31, 2016, we will launch the Companywide Synergy Development Committee, which I would like to produce concrete results in the years to come.

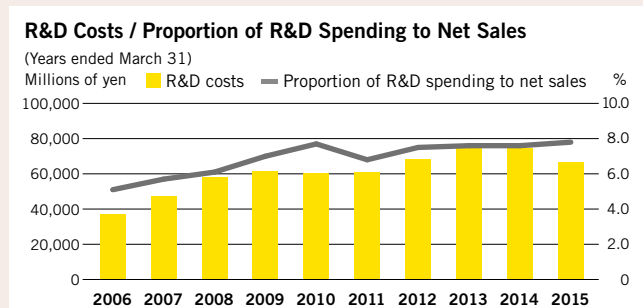
On the basis of collaboration with each department, we are building systems that will enable us to realize improvements in product value, including cost competitiveness, from a total optimization perspective. With regard to the current status on such improvements, I feel that we need to further enhance design that takes into account the costs as far as manufacturing, even in cases where the design concept is excellent, but I am aware there are factors that do not allow technological strengths to be directly linked to product value. Since the trend is for engineers involved in design and development to emphasize hardware by any means, I would like to set in place a

solutions mind-set to embrace a little more of the software aspect throughout the Company; this topic is touched on in the Medium-Term Management Plan.

Also, I would like to see the development of our overseas R&D base. Nikon Research Corporation of America (NRCA) serves as our R&D base and is situated in the state of California. Although it is a small organization, NRCA carries out a large number of tasks, covers a wider area of technological responsibilities than its Japanese counterparts, and is characteristically quick in taking action due to its small scale. For instance, experimental systems are built in a very short time frame. To me, that sense of speed, which is akin to that of a venture company, should be emulated at Nikon headquarters. I believe these types of capabilities will be a major asset in our interactions with various venture companies. In addition to taking on the function of gathering information for us relating to leading-edge technologies in overseas locations, I am expecting NRCA to generate unprecedented and innovative ideas in the years to come.

Q How will you leverage your technological capabilities in the Medical Business?

A variety of technologies are required in the medical field, and I recognize that the Company has many technologies that exceed the standards demanded. Nikon has handled a wide variety of products, ranging from glass materials and camera lenses to semiconductor lithography systems, which are called the most precise machines ever built. We will integrate the great number of technologies available to the Company with new technologies demanded in the medical area. We are at the stage of full-scale entry into the Medical Business, and my feeling is that by increasing our knowledge base, we will continue to accelerate the utilization and applications of our existing technologies.



Human Resource Capabilities

Human Resource Strategies to Enhance the Nikon Group's Competitive Advantages

To develop sustainably into the future, I consider human resources to be our most important asset.

The Nikon Group has many outstanding technological foundations. Drawing on these foundations to make people's lives richer and to bring about further development requires that each and every employee maintain a strong curiosity as we continue to create new ideas of the kind that break stereotypes.

The Nikon Group has defined the vision of its "sought-after target personnel" and enforces human resource development and utilization throughout the Group. To realize "Next 100—Transform to Grow," its Medium-Term Management Plan, the Group will introduce FUTURE IN FOCUS, a human resource policy targeting human resource development that will facilitate raising the awareness of each and every employee and give added incentive to improve human resource capabilities.



Key Person's Message

We will realize our transformation by reviewing the current values and methods of each and every employee in the Nikon Group and making changes on a daily basis.

Takaharu Honda

Senior Vice President and Director,
General Manager of Human Resources & Administration Division



Q Please tell us about the main point of your human resource strategies designed to accelerate the Nikon Group's transformation.

"Next 100—Transform to Grow," our Medium-Term Management Plan, contains the word "transform." This word expresses our resolve to bring about reform not only to our business portfolio but to the Nikon Group as a whole.

As part of this reform, we are introducing the Nikon Group's shared FUTURE IN FOCUS human resource development policy. Under this policy, we will review the current values and methods of each and every employee in the Nikon Group and encapsulate thoughts on how we would like them to make changes on a daily basis.

Q What is the outline of FUTURE IN FOCUS?

This new human resource development policy comprises three elements: "Competency," "Global Performance and Development," and "Succession Planning."

"Competency" Defines the Quality Sought in Target Personnel

Competencies clearly set out the necessary actions and behavior sought by the Nikon Group in target personnel.

Competencies are regarded as the actions and behavior necessary to realize Nikon's corporate philosophy of "Trustworthiness and Creativity." Competencies are also intended to be the foundation on

which the Nikon Group's corporate culture is built and which is aimed at all Nikon Group employees.

In addition, the Company has defined Global Leadership Competencies for its management echelons. This definition specifically shows the actions and behavior necessary for managers to successfully lead a business, organization, or team. Global Leadership Competencies comprise the essential elements of leadership, including those needed at times such as when managers are engaging in a new area of business, considering strategies, guiding those around them with enthusiasm, and prompting action.

“Global Performance and Development” Places Emphasis on Human Resource Development

A system of goal management and assessment that focuses on human resource development, the “Global Performance and Development” element proactively builds communication between superiors and subordinates, with the aim of the policy as the achievement of goals in parallel with the development of human resources. The six-month period from April to September 2015 has been designated as a trial period, during which time assessor training is being carried out primarily with Nikon Corporation management personnel to facilitate an understanding of the new policy's aims and the components of its operation that have been changed. Communication between superiors and subordinates will serve to bring about the correct recognition of any shortcomings in subordinates and will prompt management personnel to urge their subordinates on so that they make efforts to learn and rectify those shortcomings.

The “Global Performance and Development” element will be introduced at Nikon Corporation and at a number of Group companies during the fiscal year ending March 31, 2016, and I would like to ensure full-scale implementation at remaining Group companies in a phased manner from the fiscal year ending March 31, 2017.

Using “Succession Planning” for Sustainable and Active Organizational Management

“Succession Planning” is by design a system that continues to nurture by identifying the duties required in advanced leadership positions and at the management level as well as providing educational opportunities, such as training sessions and multiple rounds of work experience for personnel that will become successor candidates.

Previously, Nikon had not established a definite system for successor candidates, and a process for grooming candidates in a planned manner had not been thoroughly implemented. Now, it is necessary for not only superiors but also the successors themselves and human resource divisions to occasionally consider who their successors will be, what skills the successors may be lacking, and what knowledge they may need to acquire. Being aware of the successor selection criteria, successors will recognize their own weaknesses to speed up their personal growth.

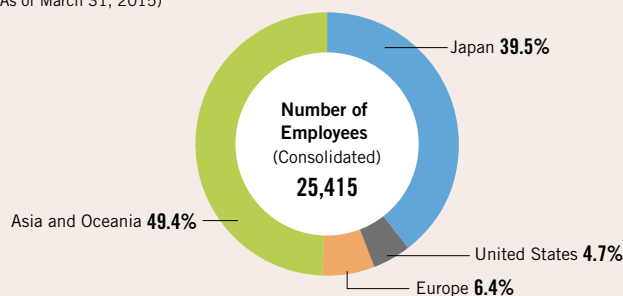
Q Please tell us about the current feedback with regard to the interdivisional flow of personnel and the hiring of specialized experts mentioned in the Medium-Term Management Plan.

As existing businesses mature, consideration has been given to the necessity of realizing an interdivisional flow of personnel with a clear purpose for the Nikon Group's sustainable growth. In the fiscal year ended March 31, 2015, we implemented a large-scale personnel relocation program. However, if employees had not understood the necessity of this program, there would have been no sense at all to implement it. Whether it was the effect of what had been billed as a “transformation” in the Medium-Term Management Plan, I had the feeling that employees were made firmly aware of management's intentions. Through this program, personal networks will be extended through the interdivisional flow of personnel, new business opportunities and problem-solving measures are expected to arise, and regular relocations will be carried out in the years ahead.

Moreover, to compensate for not having been decisive enough in some respects, we took the bold step of hiring specialized experts who are familiar with our new business areas to generate a fresh competitive edge. Just entering new territory carries with it heightened business risks, but the addition of some internal incentive through the introduction of knowledge from an outside source will, I think, create new value as well as lead to the mitigation of any risks.

Number of Employees by Region

(As of March 31, 2015)



Management's Discussion and Analysis

Nikon Corporation and Consolidated Subsidiaries
For the year ended March 31, 2015

Business Environment

During the consolidated fiscal year ended March 31, 2015, the Japanese economy was impacted by the reaction of last-minute demand associated with a consumption tax rate hike, but it stayed on a recovering trend. Outside of Japan, the U.S. economy continued to grow, underpinned by robust individual consumption, Europe remained in an economic downturn, and growth in developing economies showed signs of slowing.

Under these circumstances, the Group initiated a structural reform to rebuild its business portfolio and to achieve a transformation into a business model capable of realizing sustained growth based on the three-year Medium-Term Management Plan announced in June 2014. The Group shifted from an in-house company structure, which was a decentralized operation, to a divisional organization under the direct control of the president, to create a system that allows the flexible allocation of management resources. In addition, the Group established the Medical Business Development Division to promote faster business development of the Medical Business that will serve as a new business pillar.

With regard to the market environments of the Group's core businesses, for the Precision Equipment Business, capital investments were firm in the semiconductor-related field. At the same time, in the field related to flat panel displays (FPDs), although there was a recovery in capital investments for large displays, business performance was weak as a result of settling down in capital investments for small and medium-sized displays. In the Imaging Products Business, the market for digital cameras—interchangeable lens type was weak mainly in Europe and China, and the compact digital camera market continued to shrink. In the Instruments Business, although the microscope-related field was sluggish due to a reduction in the public budget of Japan and delays in execution, the field was robust in the Americas and China. In the industrial metrology-related field, capital investments related to electronic components and automobiles recovered.

Financial Performance

To achieve a transformation into a business model capable of realizing sustained growth, the Group worked to strengthen its business basis by introducing innovative new products and striving to reduce costs further in its existing core businesses. In addition, the Group promoted the development of corporate venture capital projects to utilize external resources, through means such as M&A and business alliances, and to explore new fields. For example, to make full-scaled entry into the Medical Business, the Group reached an agreement with Optos Plc, which is a leading company in the United Kingdom's retina diagnostic imaging equipment market, for the friendly acquisition of Optos and the commencement of procedures to convert it into a wholly owned subsidiary. (The process to make Optos a wholly owned subsidiary was completed in May 2015.)

As a result, on a consolidated basis, net sales for the fiscal year under review decreased ¥122,774 million year on year, or 12.5%, to ¥857,782 million, and operating income decreased ¥19,530 million from the previous year, or 31.0%, to ¥43,412 million. In addition, as a result of recording an impairment loss in the Semiconductor Lithography Business, net income decreased ¥28,461 million year on year, or 60.8%, to ¥18,364 million.

Income (Loss) Analysis

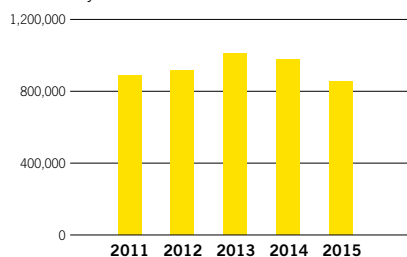
Years ended March 31, 2014 and 2015

	2014	2015
	% of Net Sales	
	2014	2015
Net sales	100.0%	100.0%
Cost of sales	(64.3)	(62.1)
Gross profit	35.7	37.9
SG&A expenses	(29.3)	(32.9)
Operating income	6.4	5.1
Other income (expenses)—net	1.2	(1.0)
Income before income taxes and minority interests	7.6	4.1
Income taxes	(2.8)	(2.0)
Net income before minority interests	4.8	2.1
Net income	4.8	2.1

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

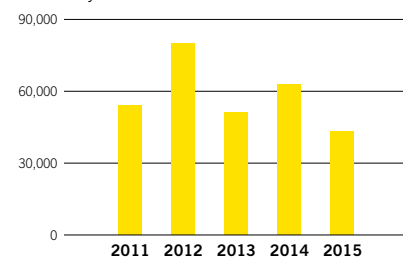
Net Sales

(Years ended March 31)
Millions of yen



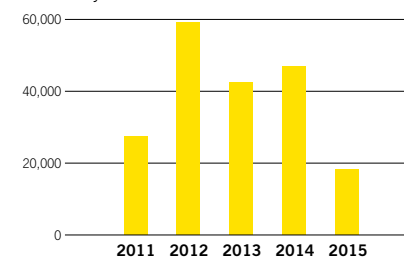
Operating Income

(Years ended March 31)
Millions of yen



Net Income

(Years ended March 31)
Millions of yen



Performance by Business Segment

■ Precision Equipment Business

In the Semiconductor Lithography Business, the Group worked to enhance performance and expand sales of equipment, focusing on ArF immersion scanners, and started shipments of the new NSR-S630D equipment that offers extremely high overlay accuracy and productivity. In terms of full-year performance, the situation was challenging due to factors including changes in capital investment plans of customers.

In the FPD Lithography Business, although concentrating on sales of products such as the FX-67S that are ideal for the production of small and medium-sized, higher-definition displays for smartphones and tablet computers, the Group was affected by settling down of capital investments, and the number of units sold decreased compared with the first half of the year. Contrastingly, in equipment for large displays, there was steady growth in sales of the unit's latest products, such as the FX-86S2 and FX-86SH2, supported by recovery in capital investments.

Although the Group made efforts in its Precision Equipment Business as a whole to improve the profit structure, including shortening manufacturing periods and cutting costs, net sales decreased 16.9% from the previous fiscal year to ¥170,758 million, and operating income decreased 58.4% from the previous fiscal year to ¥8,355 million.

■ Imaging Products Business

In the Imaging Products Business, the performance of digital cameras—interchangeable lens type was strong for the D750 and D810, the digital single-lens reflex (SLR) cameras with full-scale specifications comparable with those of professional models; the middle-class D7200 and D7100 models; and the entry-class D5500 and D3300 models. The Company's market share grew significantly, especially in the United States and Russia during the fourth quarter.

In compact digital cameras, sales were strong for such products as the multifunction COOLPIX P600 model, which comes with 60x optical zoom lens, and the stylish COOLPIX S9700, equipped with a 30x optical zoom lens.

As a result of the foregoing, despite the downturn in the market, thanks to increased market shares, a drop in net sales was limited to 14.5% year on year, resulting net sales of ¥586,019 million, and operating income declined 11.8% to ¥56,699 million.

■ Instruments Business

In the Microscope Solutions Business, although the Group was influenced by such factors as a reduction in the public budget of Japan, sales grew mainly with inverted microscopes for research, driven by China, where its market share expanded, and the Americas, where sales were strong in the cellular research-related field.

In the Industrial Metrology Business, profits improved thanks to higher sales of such products as the NEXIV Series CNC video measuring system and the non-contact 3D metrology system through recovery in capital investments and efforts to further improve productivity.

As a result, net sales increased 11.9% from the previous fiscal year to ¥72,382 million, marking a record high, and a significant improvement was recorded in operating income at ¥1,199 million, compared with operating loss of ¥2,156 million for the previous fiscal year.

■ Other Business

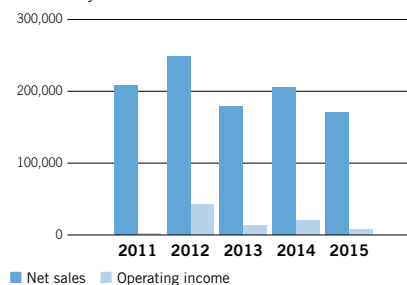
In the Customized Products Business and the Encoder Business, increased revenue and profit were recorded, and in the Glass Business, efforts to improve profits were successful.

As a result, net sales increased 14.7% from the previous fiscal year to ¥28,623 million, and operating income rose 53.7% from the previous fiscal year to ¥6,792 million.

Precision Equipment Business

(Years ended March 31)

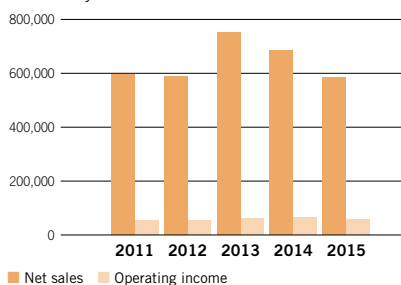
Millions of yen



Imaging Products Business

(Years ended March 31)

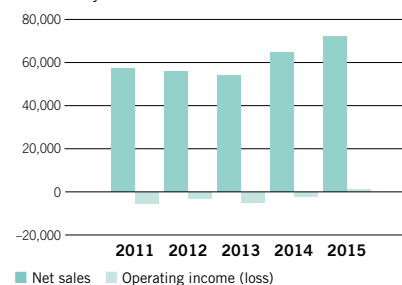
Millions of yen



Instruments Business

(Years ended March 31)

Millions of yen



Management's Discussion and Analysis

The breakdown of net sales by business segment for the fiscal year under review and the previous year, indicated in brackets, was 19.9% (21.0%) for Precision Equipment, 68.3% (69.9%) for Imaging Products, 8.5% (6.6%) for Instruments, and 3.3% (2.5%) for Other businesses, which were higher proportions year on year for Instruments and Other businesses.

Business Climate and Issues for the Fiscal Year ending March 31, 2016

With regard to the business climate surrounding the business segments of the Group, in the Precision Equipment Business, capital investments are expected to be strong in the semiconductor-related field. In the FPD-related field, a drastic recovery in capital investments for small and medium-sized displays and stable capital investments for large displays are expected. In the Imaging Products Business, although the compact digital camera market continues to shrink, it is expected that the extent of contraction in the market for digital cameras—interchangeable lens type will diminish and this market will begin to recover from the second half of the fiscal year. In the Instruments Business, the microscope-related field is expected to recover in Japan and perform firmly in Asia and the Americas. In addition, robust capital investment is expected to continue in the industrial instruments-related field.

Under these circumstances, the biggest issue facing the Nikon Group is the restructuring of its business portfolio. Under its “*Next 100—Transform to Grow*,” Medium-Term Management Plan, the Group needs to be revamped from a three-business enterprise—led by the Imaging Products Business, the Semiconductor Lithography Business, and the FPD Lithography Business—into an corporate entity that grows with a portfolio of six businesses. This restructuring will be achieved by expanding the Microscope Solutions Business and the Industrial Metrology Business, and by growing the Medical Business. In striving to bring its Medium-Term Management Plan to fruition, the Group will invest even more internal and

external management resources and actively participate in M&A.

In its existing businesses, the Group will strive to improve profitability by strengthening constitutions of the Semiconductor Lithography Business, where impairment loss was recorded for the fiscal year under review, and the Imaging Products Business, which is facing an increasingly severe business situation due to rapid changes in the market structure. Through these measures, the Nikon Group will achieve the transformation of its business model to achieve sustainable growth and endeavor to create new value.

Capital Expenditures and R&D Spending

Capital expenditures were ¥32,550 million for the fiscal year ended March 31, 2015, a 28.4% decline from the previous fiscal year. Within individual business segments, the expenditures were ¥6,034 million for Precision Equipment, ¥8,329 million for Imaging Products, ¥1,789 million for Instruments, and ¥8,365 million for Other businesses. The Group made investments of ¥8,033 million as corporate assets that are not allocated to the respective reportable segments. From the fiscal year under review, the depreciation method of the Nikon Group has been unified to the straight-line method.

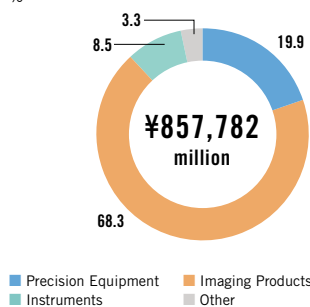
Although R&D costs of ¥66,730 million were 10.5% less than those of the previous fiscal year, the proportion of R&D spending to net sales was 7.8%, an increase of 0.2 percentage point. Within individual business segments, the costs were ¥20,619 million for Precision Equipment, ¥25,674 million for Imaging Products, ¥5,139 million for Instruments, and ¥15,298 million for Other businesses.

Financial Position

Total assets as of March 31, 2015, were ¥972,945 million, an increase of ¥23,430 million from the previous fiscal year-end. This rise was mainly attributable to increased cash and cash equivalents, which moved up ¥38,257 million to ¥259,625 million. The balance of noncurrent assets decreased ¥13,264 million to ¥287,429

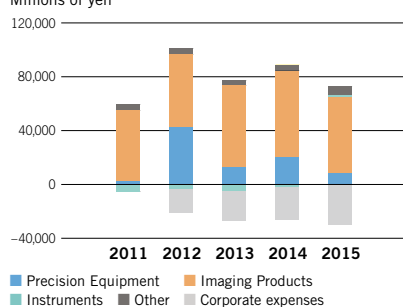
Sales by Business Segment

(Year ended March 31, 2015)
%



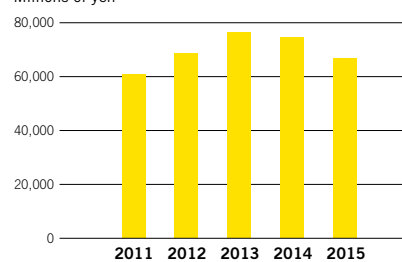
Operating Income (Loss) by Business Segment

(Years ended March 31)



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. Figures for operating income (loss) for the years ended March 31, 2011, are based on the previous method.

million, mainly as a result of the impairment that was carried out for the property, plant and equipment, intangible assets, and investment and other assets of the Semiconductor Lithography Business.

Liabilities declined ¥1,958 million to ¥400,744 million, principally because the current portion of bonds decreased ¥10,000 million due to redemption, although accrued expense and net defined benefit liability increased ¥6,183 million and ¥3,802 million, respectively.

Total equity increased ¥25,388 million to ¥572,201 million. Despite a ¥6,327 million decrease in retained earnings that resulted primarily from the payment of cash dividends and changes in the accounting policy for retirement benefits, this rise was attributable to a ¥30,909 million increase in total accumulated other comprehensive income, which arose from increases in foreign currency translation adjustment due to the depreciation of the yen and in unrealized gain on available-for-sale securities in line with stock price rises. The equity ratio moved up 1.1 percentage points from the previous fiscal year to 58.6%.

Cash Flow Analysis

For the fiscal year ended March 31, 2015, net cash provided by operating activities amounted to ¥71,309 million. This was mainly attributable to the inflows from the posting of ¥35,153 million of income before income taxes and also inflows from adjustments on depreciation and amortization and on impairment loss, and an outflow from the income taxes—paid of ¥11,108 million.

Net cash used in investing activities amounted to ¥24,945 million. This was primarily due to the expenditure of ¥22,337 million for the purchases of property, plant and equipment.

Net cash used in financing activities amounted to ¥24,955 million. This was mainly due to a redemption of bonds by ¥10,000 million and payment of dividend by ¥12,686 million.

Balance Sheet Analysis

As of March 31, 2014 and 2015

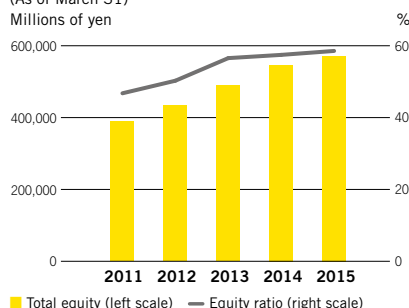
	% of Total Assets	
	2014	2015
Total assets	100.0%	100.0%
Total current assets	68.3	70.5
Inventories	25.8	24.7
Property, plant and equipment	16.8	15.2
Investments and other assets	14.9	14.3
Total current liabilities	29.5	29.5
Short-term borrowings	1.5	1.4
Long-term debt, less current portion	10.5	8.7
Total equity	57.6	58.8

Basic Policy on Shareholder Returns; Current and Subsequent Term Dividends

The Group's policy on shareholder returns is as follows: "Along with expanding investment (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, while making adjustments to better reflect operating performance." Despite decreases in both sales and profit for the fiscal year ended March 31, 2015, the Group decided to pay a year-end dividend of ¥22 per share, the same as at the end of the previous fiscal year. When combined with the interim dividend of ¥10 per share, the full-year dividend amounted to ¥32 per share. For the current fiscal year, the Group plans to pay a full-year dividend of ¥16 per share, of which the interim dividend will be ¥8 per share. In the years to come, the Group's policy will target a total return ratio of more than 30%.

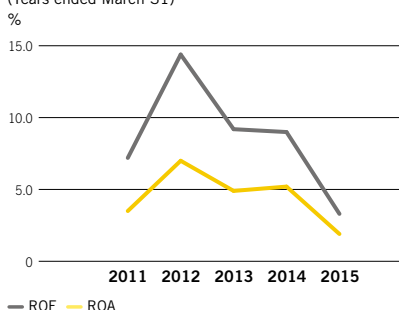
Total Equity and Equity Ratio

(As of March 31)



ROE and ROA

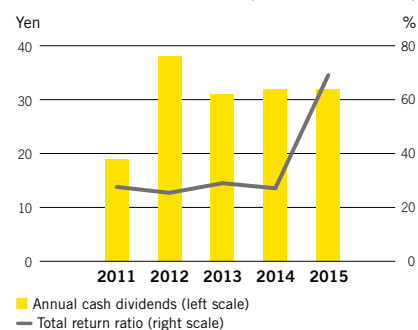
(Years ended March 31)



* ROE is calculated as net income (loss) divided by average shareholders' equity, and ROA is calculated as net income (loss) divided by average total assets.

Annual Cash Dividends and Total Return Ratio

(Years ended March 31)



Consolidated Balance Sheet

Nikon Corporation and Consolidated Subsidiaries
Year ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2015	2015
ASSETS			
Current assets			
Cash and cash equivalents (Note 14)	¥ 221,368	¥ 259,625	\$ 2,160,482
Notes and accounts receivable — trade (Note 14):			
Customers	123,896	131,521	1,094,454
Unconsolidated subsidiaries and associated companies	4,548	34	283
Inventories (Note 4)	244,942	239,983	1,997,028
Deferred tax assets (Note 11)	38,373	37,862	315,074
Other current assets (Note 15)	19,665	20,651	171,845
Allowance for doubtful receivables	(3,970)	(4,160)	(34,614)
Total current assets	648,822	685,516	5,704,552
Property, plant and equipment (Note 5)			
Land	15,235	16,143	134,331
Buildings and structures	126,082	133,377	1,109,899
Machinery and equipment	208,489	209,496	1,743,333
Furniture and fixtures	81,717	86,149	716,895
Lease assets	12,001	9,317	77,532
Construction in progress	8,408	4,393	36,556
Total	451,932	458,875	3,818,546
Accumulated depreciation	(292,654)	(310,790)	(2,586,247)
Net property, plant and equipment	159,278	148,085	1,232,299
Investments and other assets			
Investment securities (Notes 3 and 14)	60,666	70,117	583,480
Investments in and advances to unconsolidated subsidiaries and associated companies	12,589	10,972	91,307
Long-term loans to employees and other	322	355	2,958
Net defined benefit asset (Note 7)	19,267	9,659	80,377
Software	23,256	20,482	170,445
Goodwill	3,760	3,076	25,598
Security deposits	3,233	3,958	32,941
Deferred tax assets (Notes 2 (r) and 11)	7,647	10,153	84,486
Other (Note 2 (r))	10,931	10,858	90,343
Allowance for doubtful receivables	(256)	(286)	(2,378)
Total investments and other assets	141,415	139,344	1,159,557
Total	¥ 949,515	¥ 972,945	\$ 8,096,408

	2014	2015	2015
		Millions of Yen	Thousands of U.S. Dollars (Note 1)
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings (Notes 6 and 14)	¥ 14,511	¥ 13,600	\$ 113,173
Current portion of long-term debt (Notes 6 and 14)	11,302	16,012	133,243
Notes and accounts payable — trade (Note 14):			
Suppliers	117,496	113,206	942,046
Unconsolidated subsidiaries and associated companies	1,345	519	4,316
Income taxes payable (Note 14)	4,449	5,038	41,924
Accrued expenses (Note 14)	52,272	58,455	486,433
Advances received	46,374	46,489	386,864
Provision for product warranties	9,927	9,166	76,273
Other current liabilities (Note 15)	22,500	24,780	206,219
Total current liabilities	280,176	287,265	2,390,491
Long-term liabilities			
Long-term debt (Notes 6 and 14)	101,319	85,886	714,702
Net defined benefit liability (Note 7)	4,675	8,477	70,545
Asset retirement obligations	2,755	3,624	30,156
Deferred tax liabilities (Note 11)	10,356	11,472	95,466
Other long-term liabilities (Note 15)	3,421	4,020	33,454
Total long-term liabilities	122,526	113,479	944,323
Commitments and contingent liabilities (Notes 13, 15, and 16)			
Equity			
Common stock (Note 8):			
Authorized — 1,000,000,000 shares;			
issued, 400,878,921 shares in 2014 and 2015	65,476	65,476	544,861
Capital surplus (Note 8)	80,712	80,712	671,644
Stock acquisition rights (Note 9)	953	1,133	9,425
Retained earnings (Note 8)	384,843	378,516	3,149,834
Treasury stock—at cost:			
4,219,304 shares in 2014 and 4,152,366 shares in 2015	(12,619)	(12,413)	(103,295)
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	12,859	20,774	172,881
Deferred loss on derivatives under hedge accounting	(160)	(1,201)	(9,992)
Foreign currency translation adjustments	17,424	40,518	337,172
Remeasurements of defined benefit plans	(2,762)	(1,821)	(15,157)
Total	546,726	571,694	4,757,373
Minority interests	87	507	4,221
Total equity	546,813	572,201	4,761,594
Total	¥949,515	¥972,945	\$8,096,408

See notes to consolidated financial statements.

Consolidated Statement of Income

Nikon Corporation and Consolidated Subsidiaries
Year ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2015	2015
Net sales	¥980,556	¥857,782	\$7,138,072
Cost of sales	630,568	532,383	4,430,254
Gross profit	349,988	325,399	2,707,818
Selling, general and administrative expenses (Note 10)	287,046	281,987	2,346,560
Operating income	62,942	43,412	361,258
Other income (expenses)			
Interest and dividend income	2,073	2,713	22,575
Interest expense	(1,352)	(1,406)	(11,696)
Foreign exchange losses	(5,487)	(1,789)	(14,890)
Loss on sales of property, plant and equipment	(24)	(56)	(469)
Loss on impairment of long-lived assets (Note 5)	(2,320)	(16,230)	(135,056)
Loss on sales of investment securities	(12)		
Loss on valuation of investment securities	(459)	(3)	(28)
Gain on sales of property, plant and equipment	239	92	762
Gain on sales of investment securities	1,485	4,982	41,458
Compensation income for expropriation (Note 19)	15,006		
Environmental expenses	(949)		
Equity in earnings of associated companies	2,328	1,421	11,822
Other—net	1,222	2,017	16,793
Other income (expenses)—net	11,750	(8,259)	(68,729)
Income before income taxes and minority interests	74,692	35,153	292,529
Income taxes (Note 11):			
Current	11,714	11,006	91,592
Deferred	16,143	5,729	47,672
Total income taxes	27,857	16,735	139,264
Net income before minority interests	46,835	18,418	153,265
Minority interests in net income	10	54	446
Net income	¥ 46,825	¥ 18,364	\$ 152,819
		Yen	U.S. Dollars (Note 1)
Per share of common stock (Notes 2 (p) and 18):			
Basic net income	¥118.06	¥46.29	\$0.39
Diluted net income	117.88	46.21	0.38
Cash dividends applicable to the year	32.00	32.00	0.27

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Nikon Corporation and Consolidated Subsidiaries
Year ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2015	2015
Net income before minority interests	¥46,835	¥18,418	\$153,265
Other comprehensive income (Note 17):			
Unrealized gain on available-for-sale securities	3,396	7,915	65,867
Deferred gain (loss) on derivatives under hedge accounting	56	(1,041)	(8,660)
Foreign currency translation adjustments	15,288	23,201	193,068
Remeasurements of defined benefit plans	276	928	7,719
Share of other comprehensive income (loss) in associates	(19)	11	94
Total other comprehensive income	18,997	31,014	258,088
Comprehensive income	¥65,832	¥49,432	\$411,353
Total comprehensive income attributable to:			
Owners of the parent	¥65,811	¥49,271	\$410,017
Minority interests	21	161	1,336

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Nikon Corporation and Consolidated Subsidiaries
Year ended March 31, 2015

	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	Minority Interests	Total Equity
								Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Remeasurement of Defined Benefit Plans			
BALANCE, April 1, 2013	396,599	¥65,476	¥80,712	¥ 796	¥345,698	¥(12,804)	¥ 9,482	¥ (217)	¥ 2,136	¥(1,061)	¥490,218		¥490,218	
Adjustment of retained earnings for newly consolidated subsidiaries and liquidation of consolidated subsidiaries					1,158						1,158		1,158	
Net income					46,825						46,825		46,825	
Cash dividends, ¥22.0 per share					(8,726)						(8,726)		(8,726)	
Purchase of treasury stock (5)						(11)					(11)		(11)	
Disposal of treasury stock 66					(112)	196					84		84	
Net change in the year				157			3,377	57	15,288	(1,701)	17,178	¥ 87	17,265	
BALANCE, March 31, 2014 (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					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	

	Thousands of U.S. Dollars (Note 1)											
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)				Total	Minority Interests	Total Equity
						Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Remeasurement of Defined Benefit Plans			
BALANCE, March 31, 2014 (April 1, 2014, as previously reported)	\$544,861	\$671,644	\$7,928	\$3,202,490	\$(105,006)	\$107,010	\$(1,333)	\$144,995	\$(22,984)	\$4,549,605	\$ 725	\$4,550,330
Cumulative effect of accounting change				(99,617)						(99,617)		(99,617)
BALANCE, April 1, 2014 (as restated)	544,861	671,644	7,928	3,102,873	(105,006)	107,010	(1,333)	144,995	(22,984)	4,449,988	725	4,450,713
Adjustment of retained earnings for newly consolidated subsidiaries and liquidation of consolidated subsidiaries				729						729		729
Net income				152,819						152,819		152,819
Cash dividends, U.S.\$0.266 per share				(105,629)						(105,629)		(105,629)
Purchase of treasury stock					(51)					(51)		(51)
Disposal of treasury stock				(958)	1,762					804		804
Net change in the year			1,497			65,871	(8,659)	192,177	7,827	258,713	3,496	262,209
BALANCE, March 31, 2015	\$544,861	\$671,644	\$9,425	\$3,149,834	\$(103,295)	\$172,881	\$(9,992)	\$337,172	\$(15,157)	\$4,757,373	\$4,221	\$4,761,594

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Nikon Corporation and Consolidated Subsidiaries
Year ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2015	2015
Operating activities:			
Income before income taxes and minority interests	¥ 74,692	¥ 35,153	\$ 292,529
Adjustments for:			
Income taxes—paid	(5,777)	(11,108)	(92,432)
Depreciation and amortization	42,477	38,458	320,033
Loss on impairment of long-lived assets	2,320	16,230	135,056
(Reversal) provision for doubtful receivables	(248)	3	24
Provision (reversal) for product warranties	1,559	(863)	(7,178)
Interest and dividends income	(2,073)	(2,713)	(22,575)
Interest expenses	1,352	1,406	11,696
Gain on sales of property, plant and equipment	(215)	(35)	(293)
Gain on sales of investment securities	(1,473)	(4,982)	(41,458)
Loss on valuation of investment securities	459	3	28
Equity in earnings of associated companies	(2,328)	(1,421)	(11,822)
Compensation income for expropriation	(15,006)		
Other—net	8,792	32	263
Change in assets and liabilities:			
Decrease (increase) in notes and accounts receivable—trade	13,925	(3,777)	(31,430)
Decrease in inventories	34,684	15,103	125,683
Decrease in notes and accounts payable—trade	(13,942)	(4,892)	(40,706)
Increase (decrease) in accrued expenses	(3,227)	1,669	13,886
Decrease in advances received	(6,126)	(4,044)	(33,649)
Decrease in net defined benefit liability	(531)	(875)	(7,277)
Other—net	(15,129)	(2,038)	(16,975)
Total adjustments	39,493	36,156	300,874
Net cash provided by operating activities	114,185	71,309	593,403
Investing activities:			
Purchases of property, plant and equipment	(32,681)	(22,337)	(185,882)
Proceeds from sales of property, plant and equipment	738	377	3,138
Purchases of investment securities	(4,629)	(1,028)	(8,552)
Proceeds from sales of investment securities	4,118	6,947	57,806
Proceeds from compensation for expropriation	4,492		
Net increase (decrease) in loans receivable	23	(20)	(167)
Other—net	(15,255)	(8,884)	(73,924)
Net cash used in investing activities	(43,194)	(24,945)	(207,581)
Financing activities:			
Net increase (decrease) in short-term borrowings	762	(896)	(7,460)
Proceeds from long-term debt	46,889		
Repayments of long-term debt	(7,113)	(10,000)	(83,215)
Dividends paid	(8,722)	(12,686)	(105,563)
Dividends paid to minority		(35)	(291)
Other—net	53	(1,338)	(11,131)
Net cash provided (used in) by financing activities	31,869	(24,955)	(207,660)
Foreign currency translation adjustments on cash and cash equivalents	7,331	14,196	118,129
Net increase in cash and cash equivalents	110,191	35,605	296,291
Cash and cash equivalents of newly consolidated subsidiaries, beginning of year	1,082	2,652	22,070
Cash and cash equivalents, beginning of year	110,095	221,368	1,842,121
Cash and cash equivalents, end of year	¥221,368	¥259,625	\$2,160,482

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Nikon Corporation and Consolidated Subsidiaries
Year ended March 31, 2015

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 2014 financial statements to conform to the classifications used in 2015.

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 ¥120.17 to \$1, the approximate rate of exchange at March 31, 2015. 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, 2015, include the accounts of the Company and its 75 (70 in 2014) significant subsidiaries (together, the "Group"). Changes include addition of Nikon Imaging Systems Inc.; Nikon Lao Co., Ltd.; Nikon Middle East FZE; PT NIKON INDONESIA; Nanjing Nikon Jiangnan Optical Instrument Co., Ltd.; Nikon Asia Pacific Pte. Ltd. and exclusion of LK Investment Ltd. Under the control or influence concept, 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 2014 and 2015 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 charged to income when incurred if the amounts are immaterial; otherwise, the amounts are amortized on a straight-line basis principally over 10 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit 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." PITF No. 18 prescribes (1) 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; (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process; (3) however, the following items 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; 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; and 5) exclusion of minority interests from net income, if contained in net income.

(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 noncontrolling 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 minority 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.

Notes to Consolidated Financial Statements

Under the current accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority 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 shall be 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 current accounting standard will be changed to “noncontrolling 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 current accounting standard will be changed to “net income” under the revised accounting standard, and “net income” under the current accounting standard will be 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 current 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 current 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 Company early applied the revised accounting standards and guidance of (i) and (v) above, effective April 1, 2014, and (iv) for a business combination occurring after April 1, 2014. Although these revised accounting standards and guidance were applicable from the beginning of the year, there was no impact on the consolidated balance sheet and consolidated statement of income for the year ended March 31, 2015.

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. However, there was no impact on the consolidated statement of cash flows for the year ended March 31, 2015.

(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.

Prior to April 1, 2014, the Company and its domestic consolidated subsidiaries had adopted the declining-line method for depreciation of property, plant and equipment except for buildings. Effective April 1, 2014, however, the Company and its domestic consolidated subsidiaries changed their method of depreciation for depreciation of property, plant and equipment to straight-line method.

The change was based on a series of reviews over the depreciation method for property, plant and equipment within the Group, in coordination with cost reduction in design and manufacturing processes and a fundamental review of production structure, from the perspective of strengthening the maturing core businesses under the Medium-Term Management Plan “*Next 100 – Transform to Grow*” for the period up to the year ending March 31, 2017. As a result of

the review, it was concluded that the straight-line method shall be adopted from the year ended March 31, 2015, 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, which will contribute to a more constant utilization of production facilities over their useful lives.

In coordination with the aforementioned cost reductions in the design and manufacturing processes and a fundamental review of the production structure, effective from April 1, 2014, the useful lives of the machinery and equipment have been revised by estimating the period in which these assets are expected to be economically useful in consideration of their usage and operational status.

The effect of these changes on operating income and income before income taxes and minority interests for the year ended March 31, 2015, was immaterial.

(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 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.

Notes to Consolidated Financial Statements

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.

As a result, net defined benefit asset decreased by ¥18,349 million (\$152,695 thousand) and net defined benefit liability increased by ¥237 million (\$1,975 thousand), while retained earnings decreased by ¥11,971 million (\$99,615 thousand) at the beginning of the fiscal year under review. The impact on operating income and income before income taxes for the year ended March 31, 2015 was minimal.

In addition, the effect on basic net-income per share and diluted net income per share for the year ended March 31, 2015, was minimal.

(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 nonemployees 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) Research and Development Costs

Research and development costs are charged to income as incurred.

(l) Leases

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

All other leases are accounted for as operating leases.

(m) 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.

(n) 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 rate 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.

(o) 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.

(p) 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.

(q) Per Share Information

Basic net income per share is computed by dividing net income available 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.

(r) Changes in Presentation

Consolidated balance sheet

For the year ended March 31, 2015, deferred tax assets included in “other” under noncurrent assets in the previous year, were individually presented in the balance sheet as the materiality has increased. The amount of deferred tax assets in the previous year was ¥7,647 million.

(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.

Notes to Consolidated Financial Statements

3. Investment Securities

Investment securities as of March 31, 2014 and 2015 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Non-current:			
Equity securities	¥59,939	¥69,167	\$575,576
Investment in limited liability investment partnerships	727	950	7,904
Total	¥60,666	¥70,117	\$583,480

The costs and aggregate fair values of investment securities as of March 31, 2014 and 2015 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2014				
Securities classified as:				
Available-for-sale:				
Equity securities	¥40,289	¥20,535	¥1,611	¥59,213
Total	¥40,289	¥20,535	¥1,611	¥59,213

	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

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2015				
Securities classified as:				
Available-for-sale:				
Equity securities	\$325,025	\$249,021	\$4,477	\$569,569
Total	\$325,025	\$249,021	\$4,477	\$569,569

Carrying amounts of available-for-sale securities whose fair value was not readily determinable as of March 31, 2014 and 2015 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Available-for-sale:			
Equity securities	¥ 726	¥ 722	\$ 6,007
Investment in limited liability investment partnerships	727	950	7,904
Total	¥1,453	¥1,672	\$13,911

Proceeds from sales of available-for-sale securities for the years ended March 31, 2014 and 2015, were ¥4,087 million and ¥6,947 million (\$57,806 thousand), respectively.

Gross realized gains and losses for the year ended March 31, 2014 were ¥1,485 million and ¥9 million, respectively. Gross realized gains on these sales computed on a moving-average cost basis for the year ended March 31, 2015 were ¥4,982 million (\$41,458 thousand).

4. Inventories

Inventories as of March 31, 2014 and 2015 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Finished and semifinished products	¥ 92,792	¥ 85,957	\$ 715,297
Work in process	123,813	121,930	1,014,642
Raw materials and supplies	28,337	32,096	267,089
Total	¥244,942	¥239,983	\$1,997,028

5. Long-Lived Assets

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

The Group reviewed its long-lived assets for impairment as of March 31, 2014 and recognized an impairment loss of ¥2,320 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 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.

Also, the Group recognized an impairment loss of ¥15,220 million (\$126,656 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, 2015.

Place	Usage	Type	Millions of Yen
Kumagaya, Saitama and others	Assets for business	Buildings and structures	¥ 2,755
		Machinery, equipment and vehicle	6,464
		Lease assets	328
		Construction in progress	1,900
		Tools, furnitures and fixtures	1,464
		Intangible assets (except goodwill)	2,166
		Long-term prepaid expense	143
		Total	¥15,220

6. Short-Term Borrowings and Long-Term Debt

Short-term borrowings as of March 31, 2014 and 2015 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Short-term loans, principally from banks:			
2014: 0.21182% – 12.69000%			
2015: 0.30420% – 0.600000%	¥14,511	¥13,600	\$113,173
Total	¥14,511	¥13,600	\$113,173

Notes to Consolidated Financial Statements

Long-term debt as of March 31, 2014 and 2015 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Loans, principally from banks and insurance companies:			
2014: 0.61300% – 1.95250% due 2014 – 2025			
2015: 0.61300% – 1.95250% due 2015 – 2026	¥ 49,600	¥ 49,600	\$ 412,749
Obligations under finance leases	3,021	2,298	19,121
Bonds	60,000	50,000	416,075
Total	112,621	101,898	847,945
Less: Current portion	(11,302)	(16,012)	(133,243)
Long-term debt, less current portion	¥101,319	¥ 85,886	\$ 714,702

The aggregate annual maturities of long-term debt as of March 31, 2015 are as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2016	¥ 16,012	\$133,243
2017	13,523	112,532
2018	10,361	86,219
2019	179	1,488
2020	2,262	18,826
Thereafter	59,561	495,637
Total	¥101,898	\$847,945

7. 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, 2014 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Balance at beginning of year (as previously reported)	¥117,252	¥118,130	\$ 983,027
Cumulative effect of accounting changes		18,587	154,670
Balance at the beginning of the year (as restated)	117,252	136,717	1,137,697
Current service cost	3,933	3,418	28,443
Interest cost	2,539	2,418	20,125
Actuarial gains and losses	(1,467)	9,477	78,867
Benefits paid	(6,374)	(6,986)	(58,131)
Past service cost	30		
Others	2,217	2,271	18,891
Balance at end of year	¥118,130	¥147,315	\$1,225,892

(2) The changes in plan assets for the years ended March 31, 2014 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Balance at beginning of year	¥119,398	¥132,722	\$1,104,455
Expected return on plan assets	2,904	2,655	22,098
Actuarial gains and losses	5,296	11,002	91,555
Contributions from the employer	9,679	7,454	62,029
Benefits paid	(6,328)	(7,056)	(58,720)
Others	1,773	1,720	14,307
Balance at end of year	¥132,722	¥148,497	\$1,235,724

(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, 2014 and 2015 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Funded defined benefit obligation	¥ 117,341	¥ 145,348	\$ 1,209,519
Plan assets	(132,722)	(148,497)	(1,235,724)
	(15,381)	(3,149)	(26,205)
Unfunded defined benefit obligation	789	1,967	16,373
Net asset for defined benefit obligation	(14,592)	(1,182)	(9,832)
Liability for retirement benefits	4,675	8,477	70,545
Asset for retirement benefits	(19,267)	(9,659)	(80,377)
Net asset for defined benefit obligation	¥ (14,592)	¥ (1,182)	\$ (9,832)

(4) The components of net periodic benefit costs for the years ended March 31, 2014 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Service cost	¥ 3,933	¥ 3,418	\$ 28,445
Interest cost	2,539	2,419	20,128
Expected return on plan assets	(2,904)	(2,655)	(22,098)
Amortization of past service cost	(1,961)	(196)	(1,628)
Recognized actuarial gains and losses	52	874	7,273
Other	620	700	5,826
Net periodic benefit costs	¥ 2,279	¥ 4,560	\$ 37,946

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2014 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Past service cost		¥ (196)	\$ (1,628)
Actuarial gains and losses	¥419	1,910	15,892
Total	¥419	¥1,714	\$14,264

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2014 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Unrecognized past service cost	¥ 528	¥ 332	\$ 2,765
Unrecognized actuarial gains and losses	(4,713)	(2,744)	(22,840)
Total	¥(4,185)	¥(2,412)	\$(20,075)

Notes to Consolidated Financial Statements

(7) Plan assets as of March 31, 2014 and 2015

a. Components of plan assets

Plan assets consisted of the followings:

	2014	2015
Debt investments	58%	58%
Equity investments	32	36
General account	6	3
Others	4	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, 2014 and 2015, were set forth mainly as follows:

	2014	2015
Discount rate	1.8%	1.0%
Expected rate of return on plan assets	2.0%	1.3%

8. 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.

9. Stock Options

The stock options outstanding as of March 31, 2015 were as follows:

Stock Options	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2004 Stock Options	12 directors 10 officers	210,000 shares	June 29, 2004	¥1,225	From June 30, 2006 to June 29, 2014
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

The stock option activities are as follows:

	2004 Stock Options	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
For the year ended March 31, 2014											
Non-vested											
April 1, 2013-Outstanding											
Granted											119,600
Canceled											
Vested											119,600
March 31, 2014-Outstanding											
Vested											
April 1, 2013-Outstanding	55,000	116,000	99,000	26,100	117,900	68,100	66,800	99,700	108,300		
Vested											119,600
Exercised	32,000	19,000		1,900	6,600	3,000	2,800				
Canceled			20,000								
March 31, 2014-Outstanding	23,000	97,000	79,000	24,200	111,300	65,100	64,000	99,700	108,300	119,600	
Exercise price	¥ 1,225	¥ 1,273	¥ 2,902	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	1
Average stock price at exercise	¥ 2,267	¥ 2,183		¥ 2,341	¥ 2,171	¥ 2,140	¥ 1,999				
Fair value price at grant date			¥ 840	¥ 3,259	¥ 734	¥ 1,408	¥ 1,527	¥ 2,037	¥ 1,726	¥ 1,632	

For the year ended March 31, 2015

Non-vested	
March 31, 2014-Outstanding	
Granted	177,400
Canceled	
Vested	177,400
March 31, 2015-Outstanding	

Notes to Consolidated Financial Statements

	2004 Stock Options	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
Vested											
March 31, 2014-Outstanding	23,000	97,000	79,000	24,200	111,300	65,100	64,000	99,700	108,300	119,600	
Vested											177,400
Exercised	23,000	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	¥ 1,225	¥ 1,273	¥ 2,902	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average stock price at exercise	¥ 1,623	¥ 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

The assumptions used to measure the fair value of 2015 Stock Options which were granted on August 1, 2014:

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	46.188%
Estimate remaining outstanding period:	15 years
Estimate dividend:	¥32.00 per share
Risk free interest rate:	0.951%

10. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the fiscal years ended March 31, 2014 and 2015 principally consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Advertising expenses	¥73,232	¥70,269	\$584,746
Provision for doubtful receivables	(129)	(71)	(593)
Provision of warranty costs	4,992	2,984	24,832
Employees' salaries	32,966	35,028	291,488
Net periodic retirement benefit cost	2,149	3,142	26,143
Employees' bonuses and others	17,333	17,360	144,462
Research and development costs	74,552	66,730	555,298

11. 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 38.0% and 35.6% for the fiscal years ended March 31, 2014 and 2015, respectively.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities at March 31, 2014 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Deferred tax assets:			
Write-down of inventories	¥28,204	¥24,339	\$202,542
Liability for employees' retirement benefits	1,474	2,612	21,737
Depreciation and amortization	15,844	14,271	118,759
Impairment loss	192	5,982	49,780
Accrued bonuses	4,575	3,848	32,018
Tax loss carryforwards	5,694	5,342	44,454
Other	13,408	19,845	165,139
Subtotal	69,391	76,239	634,429
Less valuation allowance	(7,897)	(12,682)	(105,536)
Total	¥61,494	¥63,557	\$528,893

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Deferred tax liabilities:			
Reserve for advanced depreciation of noncurrent assets	¥ 5,129	¥ 4,566	\$ 37,996
Unrealized gain on available-for-sale securities	5,432	8,792	73,162
Undistributed earnings of foreign subsidiaries	9,653	11,172	92,968
Other	6,775	3,027	25,187
Total	¥26,989	¥27,557	\$229,313
Net deferred tax assets	¥34,505	¥36,000	\$299,580

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, 2015, with the corresponding figures for 2014 is as follows:

	2014	2015
Normal statutory tax rate	38.0%	35.6%
Tax credit for research and development costs	(3.0)	(3.9)
Tax rate difference of consolidated subsidiaries	(5.4)	(8.5)
Deferred tax assets for unrealizable profits	(0.5)	(0.3)
Increase in valuation allowance	4.1	13.6
Tax effect on retained earnings for foreign subsidiaries	1.8	4.3
Tax exemption for foreign subsidiaries	(2.0)	(4.7)
Amortization of goodwill	0.3	0.7
Effect of corporate income tax rate reduction in Japan	2.1	8.0
Other—net	1.9	2.8
Actual effective tax rate	37.3%	47.6%

“Partial Revision of Income Tax Act” (Act No. 9 of 2015) and “Partial Revision of Local Tax Act” (Act No. 2 of 2015) were issued in Japan on March 31, 2015, which reduced the effective statutory tax rate from 35.6% to 33.1% for the fiscal year starting April 1, 2015, and to 32.3% for the fiscal year starting April 1, 2016.

In accordance with the changes above, deferred tax assets (the net amount including deferred tax liabilities) decreased by ¥1,866 million (\$15,529 thousand), while income tax-deferred increased by ¥2,826 million (\$23,520 thousand).

12. Research and Development Costs

Research and development costs charged to income were ¥74,552 million and ¥66,730 million (\$555,298 thousand) for the fiscal years ended March 31, 2014 and 2015, respectively.

13. Leases

The Group leases certain machinery and equipment for manufacturing.

The minimum rental commitments under noncancelable operating leases at March 31, 2014 and 2015 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Due within one year	¥4,326	¥3,615	\$30,086
Due after one year	4,168	3,697	30,764
Total	¥8,494	¥7,312	\$60,850

14. 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.

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

(c) Fair Values of Financial Instruments

Carrying amounts, fair values and the differences between carrying amounts and fair values as of March 31, 2014 and 2015 were as follows. The accounts for which fair value is deemed to be extremely difficult to calculate are not included below:

March 31, 2014	Carrying Amount	Fair Value	Millions of Yen	
				Unrealized Gain / Loss
Cash and cash equivalents	¥221,368	¥221,368		
Notes and accounts receivable—trade	124,474	124,474		
Investment securities	59,213	59,213		
Investments in and advances to unconsolidated subsidiaries and associated companies	232	867	¥	635
Total	¥405,287	¥405,922	¥	635
Notes and accounts payable—trade	¥118,842	¥118,842		
Short-term borrowings	14,511	14,511		
Accrued expenses	52,272	52,272		
Income taxes payable	4,449	4,449		
Bonds	60,000	61,218	¥	(1,218)
Long-term loans	49,600	48,989		611
Derivatives	(2,572)	(2,572)		
Total	¥297,102	¥297,709	¥	(607)

March 31, 2015	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	¥259,625	¥259,625		\$2,160,482	\$2,160,482	
Notes and accounts receivable—trade	127,433	127,433		1,060,442	1,060,442	
Investment securities	68,445	68,445		569,568	569,568	
Total	¥455,503	¥455,503	¥	\$3,790,492	\$3,790,492	\$
Notes and accounts payable—trade	¥113,724	¥113,724		\$ 946,362	\$ 946,362	
Short-term borrowings	13,600	13,600		113,173	113,173	
Accrued expenses	58,455	58,455		486,433	486,433	
Income taxes payable	5,038	5,038		41,924	41,924	
Bonds	50,000	51,540	¥(1,540)	416,075	428,892	\$(12,815)
Long-term loans	49,600	50,177	(577)	412,749	417,549	(4,800)
Derivatives	(4,161)	(4,161)		(34,628)	(34,628)	
Total	¥286,256	¥288,373	¥(2,117)	\$2,382,088	\$2,399,705	\$(17,615)

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.

Investment securities and investments in and advances to unconsolidated subsidiaries and associated companies whose fair value is not readily determinable—the carrying values were ¥1,453 million and ¥14,517 million as of March 31, 2014, and ¥1,672 million and ¥10,972 million (\$13,911 thousand and \$91,307 thousand) as of March 31, 2015—are excluded because it is difficult to estimate the fair values and impossible to estimate the future cash flows.

Note and accounts payable, short-term borrowings and income tax 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.

(d) Maturity analysis for financial assets and securities with contractual maturities as of March 31, 2014 and 2015 were as follows:

March 31, 2014	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	¥221,368	¥	\$2,160,482	\$
Notes and accounts receivable	128,443		1,094,736	
Total	¥349,811	¥	\$3,255,218	\$

March 31, 2015	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	¥259,625	¥	\$2,160,482	\$
Notes and accounts receivable	131,555		1,094,736	
Total	¥391,180	¥	\$3,255,218	\$

Notes to Consolidated Financial Statements

15. 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, 2014 and 2015 were as follows:

	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized (Loss) Gain
				2014
Forward exchange contracts:				
Selling USD	¥ 33,421		¥ (13)	¥ (13)
Selling EUR	12,820		(340)	(340)
Selling Other	27,608		(110)	(110)
Buying JPY	(69)		(1)	(1)
Buying USD	(13,992)		87	87
Buying EUR	(20)			
Buying Other	(144)			
Total				¥ (377)
Currency swap contracts:				
Yen receipt, Brazil Real payment	¥ 1,142	¥ 666	¥ 9	¥ 9
Yen receipt, Thai Baht payment	10,387	7,533	(1,902)	(1,902)
Total				¥(1,893)

	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
				2015				2015
Forward exchange contracts:								
Selling USD	¥ 17,458		¥ 10	¥ 10	\$ 145,275		\$ 80	\$ 80
Selling EUR	11,674		530	530	97,144		4,408	4,408
Selling Other	12,239		(215)	(215)	101,850		(1,786)	(1,786)
Buying JPY	(38)				(319)			
Buying USD	(16,567)		57	57	(137,862)		471	471
Buying Other	(608)		4	4	(5,060)		38	38
Total				¥ 386				\$ 3,211
Currency swap contracts:								
Yen receipt, Brazil Real payment	¥ 665		¥ 113	¥ 113	\$ 5,538		\$ 941	\$ 941
Yen receipt, Thai Baht payment	7,533	¥4,679	(2,867)	(2,867)	62,684	\$38,934	(23,858)	(23,858)
Total				¥(2,754)				\$(22,917)

Notes: Method used to calculate the 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, 2014 and 2015 were as follows:

		Millions of Yen		
March 31, 2014	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling USD	Receivables (forecasted transaction)	¥ 3,597		¥ (1)
Selling EUR	Receivables (forecasted transaction)	24,547		(315)
Buying USD	Payables (forecasted transaction)	(1,014)		15
Total				¥(301)

		Millions of Yen			Thousands of U.S. Dollars		
March 31, 2015	Hedged Item	Contract Amount	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)	¥ 8,885		¥ (102)	\$ 73,937		\$ (853)
Selling EUR	Receivables (forecasted transaction)	16,141		618	134,319		5,142
Selling Others	Receivables (forecasted transaction)	336		2	2,796		20
Buying USD	Payables (forecasted transaction)	(950)		8	(7,903)		70
Total				¥ 526			\$ 4,379
Currency option contracts:							
Selling GBP (Put)	Forecasted transaction denominated in foreign currency	¥48,519		¥(2,161)	\$403,755		\$(17,982)
Buying GBP (Call)							
Total				¥(2,161)			\$(17,982)

Notes: Method used to calculate the fair values

(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.

16. Contingent Liabilities

At March 31, 2015, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
	2015	2015
As the guarantor of bank loans and indebtedness, principally of employees, unconsolidated subsidiaries and associated companies	¥527	\$4,382
Total	¥527	\$4,382

Notes to Consolidated Financial Statements

17. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2014 and 2015 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Unrealized (loss) gain on available-for-sale securities:			
Gains arising during the year	¥ 6,265	¥15,583	\$ 129,678
Reclassification adjustments to profit	(1,476)	(4,982)	(41,459)
Amount before income tax effect	4,789	10,601	88,219
Income tax effect	(1,393)	(2,686)	(22,352)
Total	¥ 3,396	¥ 7,915	\$ 65,867
Deferred (loss) gain on derivatives under hedge accounting:			
Losses arising during the year	¥ (6,922)	¥ (2,776)	\$ (23,103)
Reclassification adjustments to loss	7,013	1,179	9,811
Amount before income tax effect	91	(1,597)	(13,292)
Income tax effect	(35)	556	4,632
Total	¥ 56	¥ (1,041)	\$ (8,660)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥15,288	¥23,201	\$ 193,068
Defined retirement benefit plans:			
Adjustments arising during the year	¥ 265	¥ 998	\$ 8,305
Reclassification adjustments to profit	154	716	5,959
Amount before income tax effect	419	1,714	14,264
Income tax effect	(143)	(786)	(6,545)
Total	¥ 276	¥ 928	\$ 7,719
Share of other comprehensive (loss) income in associates:			
(Losses) gains arising during the year	(19)	11	94
Total other comprehensive income	¥18,997	¥31,014	\$258,088

18. Net Income per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2014 and 2015 was as follows:

	Millions of Yen	Thousands of Shares Weighted-Average Shares	Yen	U.S. Dollars
	Net Income		EPS	
For the year ended March 31, 2014:				
Basic EPS				
Net income available to common shareholders	¥46,825	396,630	¥118.06	\$ 1.15
Effect of dilutive securities				
Warrants (Stock option)		608		
Diluted EPS				
Net income for computation	¥46,825	397,238	¥117.88	\$ 1.15
For the year ended March 31, 2015:				
Basic EPS				
Net income available to common shareholders	¥18,364	396,696	¥ 46.29	\$ 0.39
Effect of dilutive securities				
Warrants (Stock option)		751		
Diluted EPS				
Net income for computation	¥18,364	397,447	¥ 46.21	\$ 0.38

19. Compensation Income for Expropriation

In the fiscal year ended March 31, 2014, responding to a request for expropriation related to the construction of the new Yokohama National Highway No. 468 by the Ministry of Land, Infrastructure, Transport and Tourism and the construction of the Yokohama-Fujisawa road by the city of Yokohama, part of the land of the Yokohama Plant was transferred to the Ministry of Land, Infrastructure, Transport and Tourism. The Company received compensation income for the expropriation accordingly.

20. Subsequent Events

(1) Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2015 was approved at the Company's shareholders' meeting held on June 26, 2015:

	Millions of Yen	Thousands of U.S. Dollars
	2015	2015
Year-end cash dividends, ¥22.00 (\$0.18) per share	¥8,728	\$72,630

(2) Business Combination through Acquisition

On May 22, 2015, the Company (hereafter, "Nikon") acquired the entire issued and to be issued share capital of Optos Plc (hereafter "Optos") in cash by means of a court-sanctioned scheme of arrangement of Optos under Part 26 of the Companies Act 2006 in the United Kingdom and converted it into a wholly owned subsidiary.

(a) Summary of Business Combination

1. Name and Business of Acquired Company

Name of Company: Optos Plc
(Headquarters: Scotland, United Kingdom,
CEO: Roy Davis)

Description of Business: Provider of retinal diagnostics solutions to optometrists and ophthalmologists

2. Primary Reasons for Business Combination

(i) Establishment of a significant footprint into the medical segment, with a platform for future expansion

Nikon will enter and construct a firm business foundation in the medical segment by the proposed acquisition of Optos. By combining Nikon's core competence in optical technologies with Optos' imaging and diagnostics business, Nikon will expand its medical business in the areas of internal diagnostics, ophthalmology treatment, and regenerative medicine.

Therefore, the acquisition of Optos allows Nikon to build an integrated platform to link the diagnostic and treatment platforms.

(ii) Significant collaboration opportunities in product development, research, and manufacturing

There is a strong potential to offer ophthalmologists competitive tools for enhanced disease diagnosis and a significant

opportunity in combining Ultra Wide-Field ("UWF") technologies with Optical Coherence Tomography ("OCT") imaging technology.

Doing so will accelerate the development of high-precision, reliable, and non- or low-invasive medical devices.

In addition, the acquisition will allow Nikon to present numerous additional collaboration opportunities in global sales, joint R&D, and manufacturing.

(iii) Expansion of Nikon's regenerative medical business

Since 2007, Nikon has been developing technologies to manufacture and distribute the cell incubator and monitoring systems for live cells (including iPS cells).

Moreover, in order to develop a regenerative treatment for retinal disease (e.g. age-related macular degeneration) by using iPS cells, Nikon invested in Healos K.K. in August 2013.

By combining Optos' expertise and technology with Nikon's products and technology, Nikon expects to strengthen the foundation for the expansion of the regenerative medical business.

3. Date of Business Combination

May 22, 2015

4. Legal Form of Business Combination

Acquisition of shares

5. Percentage of Voting Rights Acquired

100%

6. Primary Basis for Determination of Acquiring Company

Nikon paid cash in consideration for acquiring 100% of the voting rights of Optos, which became a consolidated subsidiary.

Notes to Consolidated Financial Statements

(b) Acquisition Cost and Its Breakdown

	Millions of Yen
Consideration for the Acquisition:	
Cash paid	¥48,128
Total	¥48,128

Note: The acquisition cost above is an estimated amount from which the actual cost may differ.

(c) Acquisition-Related Cost

	Millions of Yen
Advisory fee, etc.	¥1,157

Note: The acquisition-related cost above is an estimated amount from which the actual cost may differ.

(d) Funding Approach

Fund from Nikon's cash reserves

(e) Goodwill Arising from Business Combination

The specification and measurement of value of the acquired assets and liabilities was incomplete at the date of business combination.

Therefore, the aforementioned items and goodwill or negative goodwill have not yet been determined at the present stage.

21. 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.

The Group introduced the in-house company system in 1999, and each operating division has been thoroughly responsible for self-governance under this decentralized management system. However, in order to reflect the intention of management more directly in business administration and to build a system capable of carrying out fundamental restructuring, from June 27, 2014, the Group was reorganized into a divisional system directly supervised by the president according to the business field. The divisions were integrated in consideration of similarity, etc., of economic characteristics, and the Group has the same three reportable segments as before: the Precision Equipment Business, the Imaging Products Business, and the Instruments Business.

The Precision Equipment Business provides products and services with regard to IC steppers and LCD steppers. 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.

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

Millions of Yen

	Reportable Segments				Other	Total	Reconciliations	Consolidated
	Precision Equipment	Imaging Products	Instruments	Total				
For the year ended March 31, 2014								
Sales:								
Sales to external customers	¥205,447	¥685,446	¥64,709	¥955,602	¥24,954	¥ 980,556		¥980,556
Intersegment sales or transfers	500	559	901	1,960	23,268	25,228	¥ (25,228)	
Total	¥205,947	¥686,005	¥65,610	¥957,562	¥48,222	¥1,005,784	¥ (25,228)	¥980,556
Segment profit (loss)	¥ 20,079	¥ 64,284	¥ (2,156)	¥ 82,207	¥ 4,420	¥ 86,627	¥ (23,685)	¥ 62,942
Segment assets	203,779	242,784	57,264	503,827	98,133	601,960	347,555	949,515
Other:								
Depreciation and amortization	9,561	20,725	1,717	32,003	5,775	37,778	4,699	42,477
Increase in property, plant and equipment and intangible assets	9,731	16,131	1,363	27,225	11,314	38,539	6,933	45,472

- 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 ¥341 million and corporate expenses of minus ¥24,026 million. In addition, reconciliations of segment asset adjustments include corporate assets not allocated to the respective reportable segments of ¥360,425 million and the elimination of intersegment transactions of minus ¥12,870 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				Other	Total	Reconciliations	Consolidated
	Precision Equipment	Imaging Products	Instruments	Total				
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:								
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

Thousands of U.S. Dollars

	Reportable Segments				Other	Total	Reconciliations	Consolidated
	Precision Equipment	Imaging Products	Instruments	Total				
For the year ended March 31, 2015								
Sales:								
Sales to external customers	\$1,420,970	\$4,876,586	\$602,328	\$6,899,884	\$238,188	\$7,138,072		\$7,138,072
Intersegment sales or transfers	3,181	3,946	6,958	14,085	170,763	184,848	\$ (184,848)	
Total	\$1,424,151	\$4,880,532	\$609,286	\$6,913,969	\$408,951	\$7,322,920	\$ (184,848)	\$7,138,072
Segment profit (loss)	\$ 69,528	\$ 471,820	\$ 9,982	\$ 551,330	\$ 56,518	\$ 607,848	\$ (246,590)	\$ 361,258
Segment assets	1,659,227	1,865,663	511,950	4,036,840	565,845	4,602,685	3,493,723	8,096,408
Other:								
Depreciation and amortization	64,266	156,566	13,470	234,302	48,267	282,569	37,464	320,033
Increase in property, plant and equipment and intangible assets	50,216	69,312	14,885	134,413	69,612	204,025	66,839	270,864

- 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 (\$2,588 thousand) and corporate expenses of minus ¥29,944 million (\$249,179 thousand). In addition, reconciliations of segment asset adjustments include corporate assets not allocated to the respective reportable segments of ¥431,709 million (\$3,592,489 thousand) and the elimination of intersegment transactions of minus ¥11,869 million (\$98,765 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.

Notes to Consolidated Financial Statements

Related Information

1. Related information by geographical area as of March 31, 2014 and 2015 consisted of the following:

(1) Net sales

	Millions of Yen					
	Japan	USA	Europe	China	Other	Total
For the year ended March 31, 2014	¥150,161	¥222,677	¥254,036	¥141,502	¥212,180	¥980,556
	Millions of Yen					
	Japan	USA	Europe	China	Other	Total
For the year ended March 31, 2015	¥122,265	¥200,601	¥212,372	¥120,691	¥201,853	¥857,782
	Thousands of U.S. Dollars					
	Japan	USA	Europe	China	Other	Total
For the year ended March 31, 2015	\$1,017,433	\$1,669,307	\$1,767,267	\$1,004,333	\$1,679,731	\$7,138,072

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

(2) Property, plant and equipment

	Millions of Yen						
	Japan	North America	Europe	China	Thailand	Other	Total
For the year ended March 31, 2014	¥92,691	¥6,326	¥4,459	¥17,966	¥36,470	¥1,366	¥159,278
	Millions of Yen						
	Japan	North America	Europe	China	Thailand	Other	Total
For the year ended March 31, 2015	¥78,831	¥6,734	¥4,004	¥17,447	¥38,882	¥2,187	¥148,085
	Thousands of U.S. Dollars						
	Japan	North America	Europe	China	Thailand	Other	Total
For the year ended March 31, 2015	\$655,994	\$56,040	\$33,322	\$145,188	\$323,557	\$18,198	\$1,232,299

2. Information for impairment loss of noncurrent assets by business segments reported as of March 31, 2014 and 2015 was as follows:

	Millions of Yen						
	Reportable Segments						Total
	Precision Equipment	Imaging Products	Instruments	Total	Other	Corporate or Eliminations	Total
For the year ended March 31, 2014							
Impairment loss of noncurrent assets for the current fiscal year	¥170	¥1,815	¥19	¥2,004	¥316		¥2,320
	Millions of Yen						
	Reportable Segments						Total
	Precision Equipment	Imaging Products	Instruments	Total	Other	Corporate or Eliminations	Total
For the year ended March 31, 2015							
Impairment loss of noncurrent assets for the current fiscal year	¥15,220	¥851		¥16,071	¥159		¥16,230
	Thousands of U.S. Dollars						
	Reportable Segments						Total
	Precision Equipment	Imaging Products	Instruments	Total	Other	Corporate or Eliminations	Total
For the year ended March 31, 2015							
Impairment loss of noncurrent assets for the current fiscal year	\$126,656	\$7,086		\$133,742	\$1,314		\$135,056

3. Information for amortization of goodwill for the years ended March 31, 2014 and 2015, and the balance of goodwill by reportable segments as of March 31, 2014 and 2015 was as follows:

	Millions of Yen						
	Reportable Segments				Other	Corporate or Eliminations	Total
	Precision Equipment	Imaging Products	Instruments	Total			
For the year ended March 31, 2014							
Amortization of goodwill for the current fiscal year			¥ 683	¥ 683			¥ 683
Balance of goodwill at March 31, 2014			¥3,760	¥3,760			¥3,760

	Millions of Yen						
	Reportable Segments				Other	Corporate or Eliminations	Total
	Precision Equipment	Imaging Products	Instruments	Total			
For the year ended March 31, 2015							
Amortization of goodwill for the current fiscal year			¥ 684	¥ 684			¥ 684
Balance of goodwill at March 31, 2015			¥3,076	¥3,076			¥3,076

	Thousands of U.S. Dollars						
	Reportable Segments				Other	Corporate or Eliminations	Total
	Precision Equipment	Imaging Products	Instruments	Total			
For the year ended March 31, 2015							
Amortization of goodwill for the current fiscal year			\$ 5,688	\$ 5,688			\$ 5,688
Balance of goodwill at March 31, 2015			\$25,598	\$25,598			\$25,598

Independent Auditor's Report

Deloitte.

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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, 2015, 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, 2015, 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

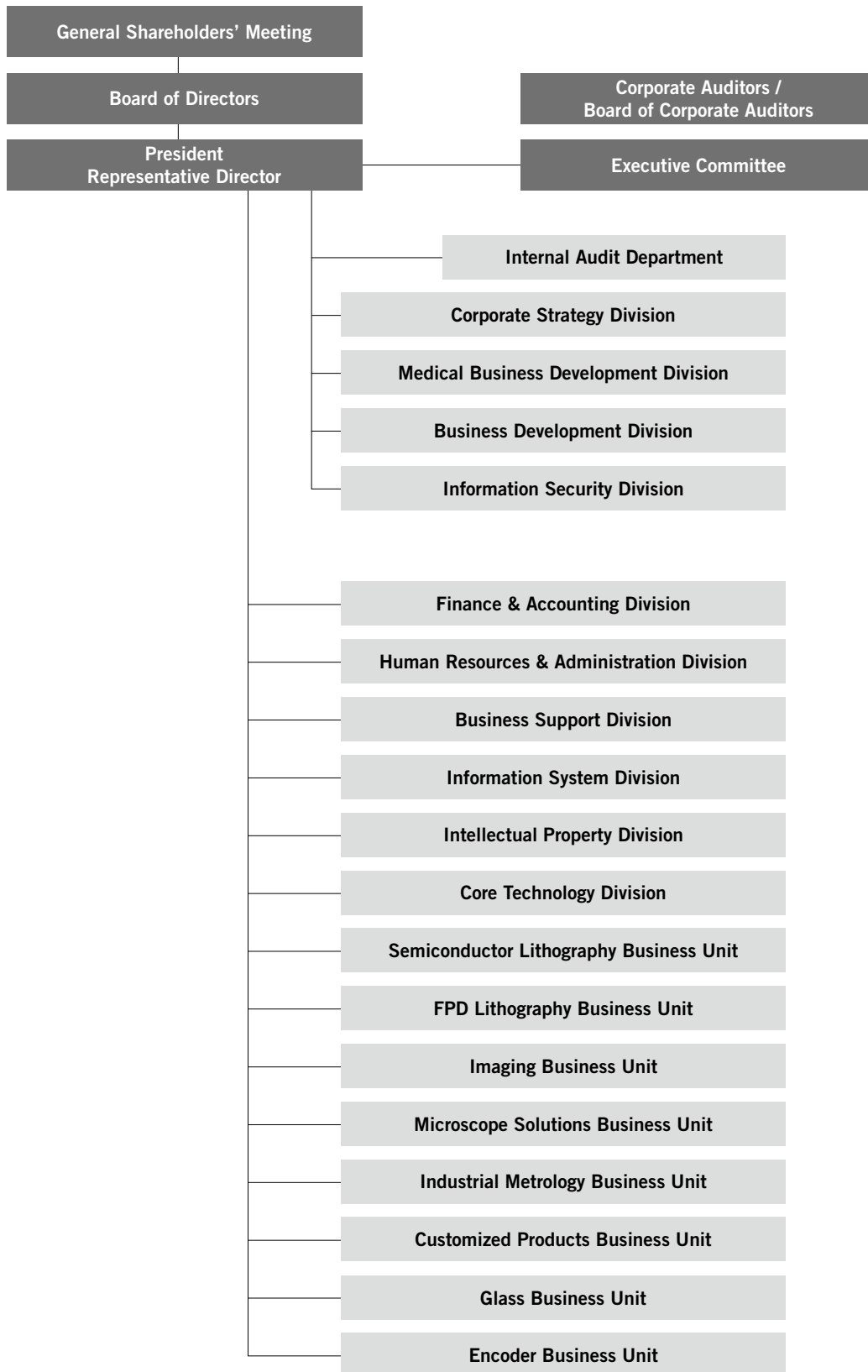
Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of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

Deloitte Touche Tohmatsu LLC
June 26, 2015

Member of
Deloitte Touche Tohmatsu Limited

Organization of the Nikon Group

(As of July 1, 2015)



Investor Information

(As of March 31, 2015)

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
25,415 (Consolidated)

Capital
¥65,475 million

Stock Status

Total number of authorized to be issued:
1,000,000,000 shares
Number of shares issued:
400,878,921 shares

Number of Shareholders
46,074

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:

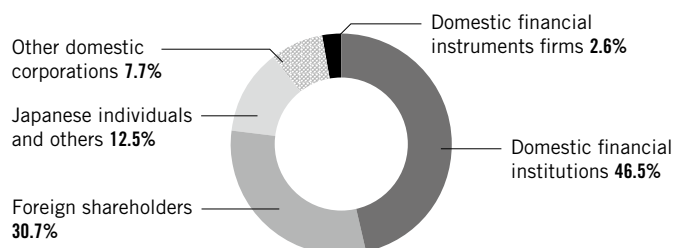
Shinagawa Intercity Tower C,
2-15-3, Konan, Minato-ku,
Tokyo 108-6290, Japan
Tel: +81-3-6433-3600

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



* Rounded off to the nearest tenth

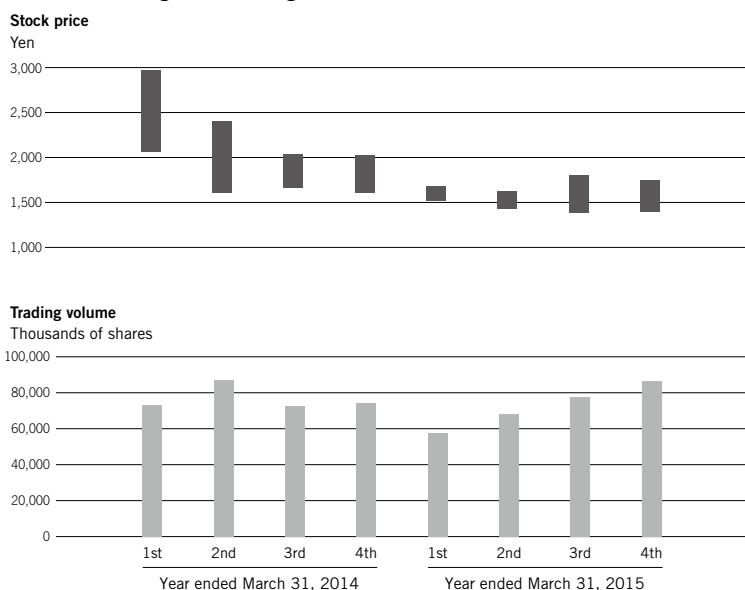
Major Shareholders

Name of Shareholder	Number of shares held (thousands)	Percentage of total shares issued (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	27,676	7.0
Japan Trustee Services Bank, Ltd. (Trust Account)	22,758	5.7
Meiji Yasuda Life Insurance Company	19,537	4.9
THE BANK OF NEW YORK –JASDECNON-TREATY ACCOUNT	8,619	2.2
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
Tokio Marine & Nichido Fire Insurance Co., Ltd.	6,041	1.5
Mitsubishi UFJ Trust and Banking Corporation	5,481	1.4
BARCLAYS CAPITAL SECURITIES LIMITED	5,007	1.3

*1. The ratio of shareholding is calculated by deducting treasury stock of 4,152,366 shares and rounding off to the nearest thousandth.

*2. The number of shares held is truncated to the unit indicated.

Stock Price Range and Trading Volume

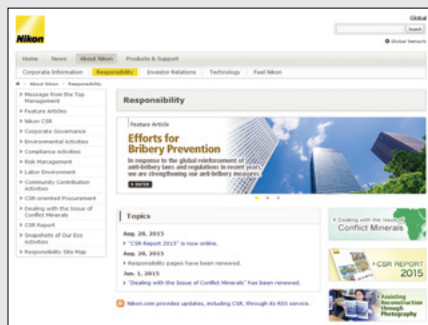


* Trading volume is the average of monthly performance.

For Additional CSR Information

The Nikon Group makes detailed CSR activity reports available on its website. In conjunction with reading this report, we would be grateful if you would visit the sites listed below to gain a deeper understanding of our CSR activities.

Nikon Group CSR website: <http://www.nikon.com/about/csr/>

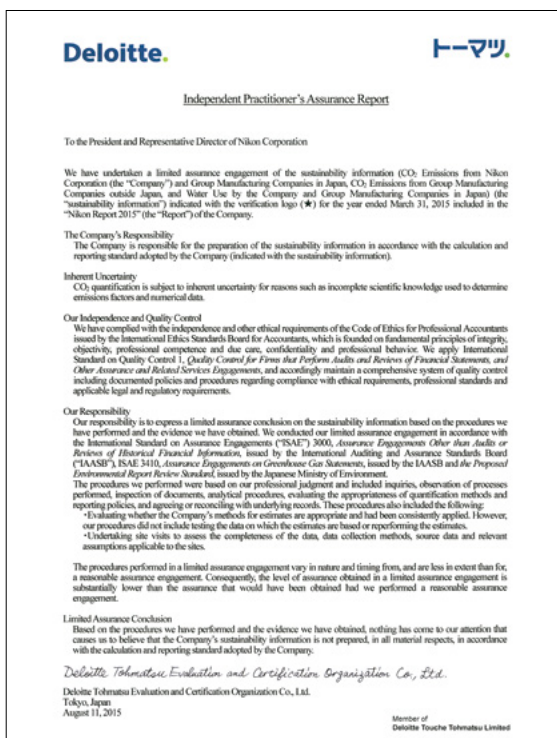


Website



CSR Report 2015 (PDF version)

Independent Practitioner's Assurance of Environmental Performance



Subjects of Assurance

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

Period of Assurance

Fiscal year ended March 31, 2015 (April 1, 2014, to March 31, 2015)



NIKON CORPORATION

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



This eco-friendly booklet was produced using FSC®-certified paper; non-VOC (volatile organic compound), vegetable-oil ink; and waterless printing technology.

Printed in Japan