



Date: June 27, 2014

Company name: NIKON CORPORATION
 Representative: Kazuo Ushida, President and Representative Director
 (Code number: 7731 Tokyo Stock Exchange)
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Partial revision to figures included in "Consolidated Financial Results of the Year ended March 31, 2014 (Japanese Standards)"

Nikon Corporation revises the reports of Consolidated Financial Results of the Year ended March 31, 2014 (Japanese Standards) which was released on May 13, 2014 as following.
 The revised parts are underlined.

NOTE

1. Revisions

The following figures for fiscal 2012 have been corrected. No corrections were made to figures for fiscal 2013.

[Revised part : 3. Information on the amounts of sales, income (loss), assets, and other items by reporting segments Page23]

<Original>

Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)

	Business segments reported				Other ¹	Total	Adjustment ²	Consolidated Statement of income ³
	Precision Equipment	Imaging Products	Instruments	Total				
Sales								
Outside customers	179,013	751,240	53,877	984,130	26,363	1,010,493	—	1,010,493
Inter-segment sales or transfer	949	793	1,101	2,844	32,026	34,871	(34,871)	—
Total	179,962	752,034	54,978	986,975	58,389	1,045,365	(34,871)	1,010,493
Segment income (loss)	13,090	60,711	(4,977)	68,823	3,555	72,379	(21,377)	51,001
Segment assets	191,438	<u>297,518</u>	<u>49,281</u>	<u>538,238</u>	110,929	<u>649,168</u>	<u>215,851</u>	<u>865,019</u>
Other items								
Depreciation and amortization	8,720	16,258	1,550	26,529	6,454	32,983	3,241	36,225
Increase in tangible/intangible fixed assets	8,301	34,449	1,512	44,262	10,733	54,996	5,161	60,158

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

2. Adjustment of segment income (loss) refers to elimination of intersegment transactions of 249 million yen and corporate expenses of minus 21,626 million yen. In addition, segment assets adjustment includes corporate assets not allocated to the respective reportable segments of 243,653 million yen and elimination of intersegment transactions of minus 27,801 million yen. 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. Segment income is adjusted with reported operating income on the consolidated financial statements.

<Revised>

Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)

(Million yen)

	Business segments reported				Other ¹	Total	Adjustment ²	Consolidated Statement of income ³
	Precision Equipment	Imaging Products	Instruments	Total				
Sales								
Outside customers	179,013	751,240	53,877	984,130	26,363	1,010,493	—	1,010,493
Inter-segment sales or transfer	949	793	1,101	2,844	32,026	34,871	(34,871)	—
Total	179,962	752,034	54,978	986,975	58,389	1,045,365	(34,871)	1,010,493
Segment income (loss)	13,090	60,711	(4,977)	68,823	3,555	72,379	(21,377)	51,001
Segment assets	191,438	<u>296,665</u>	<u>49,484</u>	<u>537,588</u>	110,929	<u>648,518</u>	<u>216,149</u>	<u>864,667</u>
Other items								
Depreciation and amortization	8,720	16,258	1,550	26,529	6,454	32,983	3,241	36,225
Increase in tangible/intangible fixed assets	8,301	34,449	1,512	44,262	10,733	54,996	5,161	60,158

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

2. Reason for the Revisions

Nikon has applied International Accounting Standard No. 19, "Employee Benefits" (Amended June 16, 2011), to certain consolidated subsidiaries from April 1, 2013 and the change in accounting policy has been applied retrospectively for the previous fiscal year (ended March 31, 2013). But the retroactive revisions were not made for the figures stated above.



MAY 13, 2014

Consolidated Financial Results of the Year ended March 31, 2014 (Japanese Standards)

Company name: NIKON CORPORATION

Code number: 7731; Stock listings: Tokyo Stock Exchange

URL <http://www.nikon.co.jp/>

Representative: Makoto Kimura, Representative Director and President

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TEL: +81-3-3216-1032

Date for the annual shareholders' meeting: June 27, 2014

Date for the filing of the consolidated financial statements: June 27, 2014

Date of year-end dividend payout: June 30, 2014

Preparation of supplementary materials for financial results: Yes

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

Note: Amounts less than 1 million yen are omitted.

1. Consolidated Results of the Year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2014	980,556	(3.0)	62,941	23.4	61,725	27.7	46,824	10.3
Year ended March 31, 2013	1,010,493	10.0	51,001	(36.3)	48,344	(45.9)	42,459	(28.4)

(Note) Comprehensive Income: Year ended March 31, 2014: 65,832 million yen (-10.7%)

Year ended March 31, 2013: 73,713 million yen (32.2%)

	Net Income per Share of Common Stock	Net Income per Share of Common Stock after Dilution	Ratio of Net Income to Shareholders' Equity	Ratio of Ordinary Income to Total Assets	Ratio of Operating Income to Net Sales
	Yen	Yen	%	%	%
Year ended March 31, 2014	118.06	117.88	9.0	6.8	6.4
Year ended March 31, 2013	107.07	106.92	9.2	5.6	5.0

(Reference) Equity in Earning of non-consolidated subsidiaries and affiliates: Year ended March 31, 2014: 2,328 million yen

Year ended March 31, 2013: 2,462 million yen

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share of Common Stock
	Million yen	Million yen	%	Yen
Year ended March 31, 2014	949,515	546,813	57.5	1,375.92
Year ended March 31, 2013	864,667	490,217	56.6	1,234.05

(Reference) Equity: Year ended March 31, 2014: 545,773 million yen

Year ended March 31, 2013: 489,421 million yen

(3) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
Year ended March 31, 2014	114,185	(43,193)	31,868	221,367
Year ended March 31, 2013	51,890	(65,109)	(18,198)	110,094

2. Dividends

	Dividend per Share				
	First quarter ended	Second quarter ended	Third quarter ended	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2013	-	19.00	-	12.00	31.00
Year ended March 31, 2014	-	10.00	-	22.00	32.00
Year ending March 31, 2015 (Forecast)	-	10.00	-	22.00	32.00

	Total Annual Cash Dividend Paid	Dividend Payout Ratio (Consolidated)	Dividend Payout to Net Assets Ratio (Consolidated)
	Million yen	%	%
Year ended March 31, 2013	12,293	29.0	2.7
Year ended March 31, 2014	12,692	27.1	2.5
Year ending March 31, 2015 (Forecast)		28.2	

3. Consolidated Financial Forecasts for the year ending March 31, 2015 (From April 1, 2014 to March 31, 2015)

(Percentage represents comparison to previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share of Common Stock
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Second quarter ending September 30, 2014	410,000	(12.9)	10,000	(54.3)	12,000	(40.1)	8,000	(41.2)	20.17
Full year	940,000	(4.1)	63,000	0.1	66,000	6.9	45,000	(3.9)	113.46

4. Other

(1) Changes of significant subsidiaries during the current fiscal year (change of specified subsidiaries that affected the scope of consolidated reporting): None

(2) Changes of accounting policies applied, procedures and methods of presentation for preparing consolidated financial statements

1. Changes in accounting policies resulting from the revision of the accounting standards and other regulations: Yes

2. Other changes in accounting policies: None

3. Changes in accounting estimates: None

4. Restatement of corrections: None

(3) Number of shares issued (common stock)

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

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

Year ended March 31, 2013 400,878,921 shares

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

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

Year ended March 31, 2013 4,279,760 shares

3. Average number of shares during the term:

Year ended March 31, 2014 396,630,041 shares

Year ended March 31, 2013 396,566,542 shares

[Reference]

1. Non-consolidated Results of the year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2014	716,863	(4.3)	32,809	97.3	38,228	89.5	32,780	62.4
Year ended March 31, 2013	749,198	8.8	16,628	(50.7)	20,176	(58.5)	20,182	(31.2)

	Net Income per Share of Common Stock	Net Income per Share of Common Stock after Dilution
	Yen	Yen
Year ended March 31, 2014	82.65	82.52
Year ended March 31, 2013	50.89	50.82

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share of Common Stock
	Million yen	Million yen	%	Yen
Year ended March 31, 2014	681,230	346,093	50.7	870.12
Year ended March 31, 2013	630,885	318,369	50.3	800.74

(Reference) Equity: Year ended March 31, 2014: 345,141 million yen
Year ended March 31, 2013: 317,573 million yen

(※Indication of quarterly review procedures implementation status)

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

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

Performance forecasts and other forward-looking statements contained in this report are based on information currently available and on certain assumptions deemed rational at the time of this report's release. Due to various circumstances, however, actual results may differ significantly from such statements. For more information about the Company's business forecasts, please refer to page 6.

Contents

1. Operating Results	5
(1) Analysis of Operating Results	5
(2) Analysis of Financial Position	7
(3) Shareholder Returns Policy and Dividends	7
(4) Business and Other Risks	8
2. Status of Nikon Group	11
3. Management Policies	12
(1) Company's Basic Management Policies	12
(2) Targeted Management Indices	12
(3) Medium and Long-term Management Strategies and Issues to be Addressed	12
4. Consolidated Financial Statements	13
(1) Consolidated Balance Sheets	13
(2) Consolidated Statements of Income and Statements of Comprehensive Income	15
(3) Consolidated Statements of Changes in Net Assets	17
(4) Consolidated Statement of Cash Flows	19
(5) Note on Assumptions for Going Concern	20
(6) Basis of Presenting Consolidated Financial Statements	20
(7) Changes in Basis of Presenting Consolidated Financial Statements	20
(8) Notes to Consolidated Financial Statements	22
1) Consolidated Statements of Income	22
2) Segment Information	23
3) Per-Share Information	26
4) Significant Subsequent Events	26
5. Non-Consolidated Financial Statements	27
(1) Non-Consolidated Balance Sheets	27
(2) Non-Consolidated Statements of Income	30
(3) Non-Consolidated Statements of Changes in Net Assets	31

1. Operating Results

1. Analysis of Operating Results

(1) Overview of the fiscal year ended March 31, 2014

During the consolidated fiscal year ended March 31, 2014, in the Precision Equipment Business, the semiconductor-related field remained sluggish while the FPD (Flat Panel Display)-related field remained firm. In the Imaging Products Business, the market condition for the Digital camera—Interchangeable Lens Type worsened, and the compact digital camera market shrank significantly as well. In the Instruments Business, the bioscience-related market remained steady, and the industrial instruments-related market saw signs of recovery in capital investment in the latter half of the fiscal year.

Under these circumstances, the Group shifted business operations that focus on profitable businesses which captures changes in the business climate. The Group also established the Management Measures Committee with the purpose of strengthening its business structure. We worked to reduce procurement and logistics costs and to make development and production more efficient, along with sweeping cost reduction throughout the entire Group based on the fundamental idea of “Minimum Cost Operation.”

In new business areas, the Group selected analysis and diagnosis in the health and medicine as priority fields, and we actively engaged in capital and business partnerships for research and development as well as future business development toward creating new business. Additionally, we strengthened our existing businesses by activities such as launching new products with distinctive features.

As a result of the foregoing, net sales for the fiscal year ended March 31, 2014 decreased by 29,937 million yen (3.0%) year on year to 980,556 million yen. However, operating income increased by 11,939 million yen (23.4%) year on year to 62,941 million yen, and ordinary income increased by 13,380 million yen (27.7%) year on year to 61,725 million yen.

Furthermore, 15,006 million yen of extraordinary income was recognized mainly as compensation for expropriation from the transfer of a part of land of the Yokohama Plant to the Ministry of Land, Infrastructure, Transport and Tourism and the relocation of some of the buildings there. The result was net income of 46,824 million yen, an increase of 4,365 million yen (10.3%) year on year.

Performance by business segment is as follows.

1) Precision Equipment Business

Of the markets related to the business, the semiconductor-related field saw sluggish capital investment by manufacturers. The FPD-related field remained firm due in part to stronger demand in fields related to smart-phone/tablet terminals.

Amid this situation, the Group strove to expand sales in the Semiconductor Lithography System field, focusing on the NSR-S621D and NSR-S622D ArF immersion scanners. At the same time, we announced the start of accepting orders for the NSR-S630D, a new product that offers greater accuracy in superpositioning and improved productivity.

Sales grew steadily in the FPD Lithography System field, as the Group focused on the FX-66S and the FX-67S, which are ideal for the production of mid-to-small size high definition displays for smart-phone/tablet terminals, etc., and a high market share was maintained.

In addition, the Group made efforts across its business as a whole to improve the profit structure, including shortening manufacturing periods and cutting costs.

As a result of the foregoing, net sales increased by 14.8% from the previous fiscal year to 205,446 million yen, and operating income increased by 53.4% from the previous fiscal year to 20,079 million yen.

*“IC steppers and scanners” and “LCD steppers and scanners”, the previously used names, has been changed to “Semiconductor Lithography System” and “FPD Lithography System” respectively.

2) Imaging Products Business

Of the markets related to the business, the situation for the Digital camera—Interchangeable Lens Type market worsened, mainly in Europe and China, and the compact digital camera market shrank drastically as well, leaving both markets in a challenging business climate.

Amid this situation, of the Digital camera—Interchangeable Lens Type, the Group strove to expand sales of existing products such as the D7100, along with launching new products with distinctive features differentiated by advanced technology such as the Df, the smallest and lightest of the Nikon FX format cameras, and the latest flagship model D4S. In addition, we released the Nikon 1 AW1, the world’s first waterproof and shock-resistant Digital camera—Interchangeable Lens Type.

Cumulative production of interchangeable lenses reached 85 million units in January of this year.

The Group captured high market share in each region by making efforts to launch and expand sales of products such as the COOLPIX S6600, which can easily take “self portraits,” and the multi-function model COOLPIX P600, which comes with 60x optical zoom, the highest ever for a COOLPIX camera.

Profitability was improved, thanks to the extensive cost reduction, including the adoption of new materials and the streamlining of development, design and manufacturing, along with reviewing of sales strategy.

As a result of the foregoing, net sales decreased by 8.8% from the previous fiscal year to 685,446 million yen. Even so, operating income increased by 5.9% from the previous fiscal year to 64,284 million yen.

3) Instruments Business

Of the markets related to the business, the bioscience-related markets remained firm due to an increase in public spending mainly in Japan and the United States. In the industrial instruments-related markets, although semiconductors and electronic components were sluggish during the first half of the fiscal year due to restrained capital investment by entities, recovery could be seen from the latter half of the fiscal year.

Under these circumstances, the Group increased sales in the bioscience business mainly for a state-of-the-art super-resolution microscope system and inverted microscopes for research. In addition, we concluded a capital and business partnership contract with JEOL Ltd. in February this year to reinforce sales activities and create new products.

In the industrial instruments business, the Group made efforts to expand sales with a focus on non-contact metrology devices, in addition to launching new products such as the NEXIV VMZ-R3020 and NEXIV VMZ-R6555 CNC video measuring systems.

As a result of the foregoing, net sales increased by 20.1% from the previous fiscal year to 64,708 million yen, and operating loss was 2,156 million yen (compared with operating loss of 4,977 million yen for the previous fiscal year).

4) Other Businesses

In the Customized Products Business, income of space-related products decreased, even though solid-state lasers and optical components remained steady. In the Glass Business, the sales of LCD photomask substrates were higher than that of the previous year.

As a result of the foregoing, net sales decreased by 5.3% from the previous fiscal year to 24,954 million yen, and operating income increased by 24.3% from the previous fiscal year to 4,419 million yen.

(2) Forecast for the fiscal year ending March 31, 2015

As for the business segments of the Nikon Group, in the Precision Equipment Business, recovery is expected in the semiconductor-related market. Recovery is also predicted in the demand for devices used in large displays, whereas capital investment for mid-to-small size displays in the FPD-related market has cooled down. In the Imaging Products Business, although the market environment of the Digital camera—Interchangeable Lens Type market continues to be severe and shrinkage is foreseen, improvement is expected from the latter half of the fiscal year. Although shrinkage is also foreseen in the compact digital camera market, the decrease is expected to be more moderate than the previous fiscal year. However, gradual improvement is forecasted for the overall market from the latter half of the fiscal year. In the Instruments Business, the bioscience-related market is expected to remain steady, and capital investment is expected to recover in the industrial instruments-related market as well.

Under these circumstances, the Nikon Group will endeavor to strengthen its management structure by continuing to pursue “Minimum Cost Operation” throughout the Group. At the same time, we will reinforce our system to enable flexible and active responses by quickly capturing changes in the business climate. Regarding the development of new business domains, we will actively engage in investment, etc., including research and development as well as M&As, toward commercialization in the fields of health and medicine.

The Group will develop its business activities globally by improving product quality and with CSR always in mind with the aim to further enhance our brand value.

Through these measures, the Nikon Group is committed to continued growth and it will continually offer new value.

Current forecast for the fiscal year ending March 31, 2015 is as below (From April 1, 2014 to March 31, 2015).

(Percentage represents comparison change to the corresponding previous period)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Full year	940,000	(4.1)	63,000	0.1	66,000	6.9	45,000	(3.9)

The above forecast is based on the following foreign currency exchange rate:

1 US dollar = 100 yen, 1 Euro = 140 yen

*Forecasts in this disclosure are made by management in light of information currently available.

A number of factors could cause actual results to differ materially from disclosed as above.

2. Analysis of Financial Position

The balance of current assets as of March 31, 2014 increased by 73,174 million yen to 648,822 million yen (575,647 million yen at the end of the previous fiscal year). This is mainly due to the increase in cash and deposits.

The balance of noncurrent assets as of March 31, 2014 increased by 11,673 million yen to 300,693 million yen (289,019 million yen at the end of the previous fiscal year). This is attributable mainly to the revaluation of investment securities.

The balance of current liabilities as of March 31, 2014 decreased by 19,009 million yen to 280,176 million yen (299,186 million yen at the end of the previous fiscal year). This is mainly because the prior year compensation income related to land expropriation recognized as “Other” was reclassified as “Compensation income for expropriation” under extraordinary income since transferring of the related land has accomplished by the current fiscal year.

The balance of noncurrent liabilities as of March 31, 2014 increased by 47,261 million yen to 122,525 million yen (75,263 million yen at the end of the previous fiscal year). This is primarily due to the increase in long-term loans payable and an issuance of corporate bonds.

The balance of net assets as of March 31, 2014 increased by 56,595 million yen to 546,813 million yen (490,217 million yen at the end of the previous fiscal year). This is attributable mainly to the increase in retained earnings by posting 46,824 million yen of net income.

During the year ended March 31, 2014, cash flows from operating activities amounted to 114,185 million yen mainly as a result of the revenue from the post of 74,691 million yen of income before income taxes, the decrease in notes and accounts receivable-trade by 13,924 million yen, and the decrease in inventories by 34,684 million yen, in spite of the expenditure from the decrease in notes and accounts receivable-trade by 13,941 million yen and payment of income taxes of 5,777 million yen. Cash flows from investing activities resulted in an expenditure of 43,193 million yen mainly as a result of an expenditure of 32,680 million yen for the purchase of property, plant and equipment. Cash flows from financing activities resulted in revenue of 31,868 million yen. This is mainly because of the revenue from the increase in long-term loans payable by 27,000 million yen and the issuance of bonds by 19,888 million yen, in spite of the expenditure of 8,721 million yen in cash dividends paid.

(Reference) Changes in Cash Flow-Related Indices

	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013	March 31, 2014
Equity ratio (%)	50.2	46.8	50.3	56.6	57.5
Equity ratio based on market value (%)	109.2	81.9	115.8	102.3	69.4
Cash flow to interest-bearing debt ratio (years)	1.0	0.7	5.7	1.6	1.1
Interest coverage ratio (times)	89.5	128.0	14.2	40.8	86.3

(Notes) Equity ratio: Equity/Total assets

Equity ratio based on market value: Total market value of shares/Total assets

Cash flow to interest-bearing debt ratio: Interest-bearing debt/Operating cash flows

Interest coverage ratio: Operating cash flows/Interest payments

*All indices are calculated based on consolidated financial data.

*The total market value of shares is calculated in accordance with the formula: final share price as of the end of the fiscal year multiplied by numbers of shares issued (after deducting treasury stock).

*Operating cash flows are the cash flows from operating activities as indicated in the consolidated cash flow statement. Interest-bearing debts include the short-term and long-term loans payable as posted in the consolidated balance sheet. As regards interest payments, the amount of interest paid as shown in the consolidated cash flow statement is used.

3. Shareholder Returns Policy and Dividends

Nikon's basic dividend policy is to improve the reflection of business performance based on paying a steady, continuous dividend, as well as expanding the investment for the future growth and strengthening of competitiveness. More specifically, its present goal is to provide a total return ratio of 25% or more.

The Group set the year-end dividends at 22 yen per share, an increase of 10 yen from previous fiscal year, due to the decrease in revenue and the increase in profit. As a result, cash dividends for the fiscal year ended March 31, 2014 will be 32 yen per share including 10 yen of interim dividend.

As for the dividends of the fiscal year ending March 31, 2015, the Group plans to pay 32 yen per share including 10 yen of interim dividend.

4. Business and Other Risks

There is a possibility that the business performance of the Nikon Group will be impacted significantly by various factors that may arise in the future. Following are principal matters that are considered to be likely risk factors in the promotion of business operations by the Group.

Matters concerning the future as stated herein are based on the Nikon Group's estimations as of the date of the preparation hereof.

(1) Unique business environment and circumstances

[Unique environment of main businesses]

The semiconductor industry, which is the main target market for the Semiconductor Lithography System handled by the Precision Equipment Business, is characterized as an industry with drastic changes in the business cycle, although this inclination has been waning in recent years, due to the diversification of end products. As a result, an over-supply of semiconductor devices in the market poses the risk of a decrease in the demand for steppers, due to a cutback in capital investment by semiconductor manufacturers and an accompanying increase in inventories. However, it is difficult to predict the timing or the duration of such a situation or the degree of fluctuation. As an additional characteristic of customer behavior in the same industry, orders are subject to postponement or cancellation even after they have been placed, resulting in a structure that is prone to increases in inventory during periods of slow demand. The demand for FPD Lithography System, which is dependent on the climate of the LCD panel market, may experience a rapid decline, should LCD panel prices drop as a result of an over-supply.

In the market for digital cameras, which are the leading products in the Imaging Products Business, the Digital camera—Interchangeable Lens Type market is expected to be unfavorable condition in Europe, and sluggish growth is predicted for emerging markets. Also, shrinkage is foreseen in the compact digital camera market. There is a possibility of the market undergoing changes such as the decline in demand for digital cameras, due to such factors as fluctuation of the economy of the respective regions and the emergence of strong competition, such as new digital equipment.

In the Instruments Business, the microscope market is becoming saturated, leading to the possibility of a change in competition structure, as a result of an industry restructuring or the like. Further, the Industrial Instruments Business is susceptible to the effect of the economic and facility trends of various industries, including semiconductors, power generation, electronic components, automobiles and machine tools.

Such changes in the business environment are likely to have a considerable impact on the business performance and the financial position of the Nikon Group.

(2) Dependence on specific suppliers

In each business that it is engaged in, the Nikon Group is sometimes dependent on specific suppliers for such things as raw materials, key components, and finished products that have been outsourced. Although the Group is making efforts to ensure stable procurement while maintaining a close relationship with specific suppliers, there is a possibility that the Group's profit and financial position will be adversely affected in the event of a steep increase in purchase price or a material problem with procurement due to a sudden surge in demand, natural disasters, quality issues, as well as policy changes or bankruptcy on the part of a specific supplier.

(3) Dependence on specific customers

Moves such as mergers and partnerships are progressing within the semiconductor industry, which is a customer of the Precision Equipment Business, in order to cope with expanding capital expenditure and increasingly diversified technology development. Further, selective elimination is proceeding as the competitive superiority or inferiority of various companies becomes more defined, based on the technologies owned and the characteristics of the devices manufactured. Competition among companies is intensifying also in the LCD panel industry as capital expenditures expand, resulting in some moves for industry restructuring. Capital investment plans of the Nikon Group's major customers are volatile owing to the foregoing circumstances. Hence, there is a possibility that the Group's profit and financial position will be adversely affected should; for example, a customer drastically reduce order volumes or take its business to a competitor, or should problems arise for any reason with respect to debt payment by a customer.

(4) Ability to develop new products and investment in development

Being subject to intense competition, the Nikon Group's core businesses are constantly required to develop new products by continuing to engage in highly advanced research and development. Therefore, it is necessary to continue to invest in product development, regardless of the fluctuations in the Group's profit.

In the Precision Equipment Business, there is a possibility of a decrease in profit in the event of failure to develop new products and/or next-generation technology in a timely manner, or of rejection by the market of a technology developed by the Nikon Group. Further, should a competitor acquire a patent on a new technology, there is a danger that the production and/or sale of a product will be suspended or of a decrease in profit margin due to the payment of royalty, as well as the possibility that the adoption of a new technology by a competitor's device will cause the price of Nikon's devices to deteriorate. Further intensification of price competition is expected with respect to FPD Lithography System in the event of market entries by newcomers or introduction of a new technology, which may impact profit.

In the Imaging Products Business, given the rapid technological advances in and increasing sophistication and diversification of digital cameras, continual investment is required for the development of new technologies and new products. However, there is a conceivable possibility that a technology or a product that was developed will not lead to an increase in profit should the investment fail to produce adequate results or should there be an abrupt shift in demand to higher functioning digital equipment. As with the Precision Equipment Business, should a competitor acquire a patent on a new technology, there is a danger that the production and/or sale of a product will be suspended or of a decrease in profit margin due to the payment of royalty, which may impact profit.

(5) Intensification of price competition

In the market for digital cameras, which are the leading products of the Imaging Products Business, competition to survive is intensifying among manufacturers as the market matures, and there is a possibility that competitors will launch an offensive with low-priced products.

As for Semiconductor and FPD Lithography System, while the development of cutting-edge technologies is progressing, there is a possibility that competitors will launch an offensive with low-priced Lithography System.

In the Instruments business, the maturing of the microscope market is further promoting the competition to differentiate products, while fanning price competition in the mid- and low-range markets. There is a possibility that the Nikon Group's profit and financial position will be affected adversely, should there be a sharp and sudden decrease in prices.

(6) Overseas business operations

The Nikon Group is dependent on foreign countries for a significant portion of its production and sales activities. Hence, it is affected by changes in various import and export laws, tax systems, and regulation in Japan and other countries in which the Group operates. Further, in conducting business operations overseas, there is a possibility that major problems will be encountered and/or losses will be incurred in conducting business activities, due to such risks as changes in political regimes or economic climate; social chaos caused by riots, terrorism, wars, infectious diseases, etc.; problems with such infrastructures or logistics-related functions as water, electricity, and communications network due to natural disaster; and difficulty hiring human resources or loss thereof. There is a possibility that the Nikon Group's profit and financial status will be affected adversely as a result of production and sales being limited by the foregoing.

(7) Risk of fluctuations in exchange rate

The Nikon Group is highly dependent on overseas market, with overseas sales accounting for as much as 84.7% of net sales. While the Group is appropriately hedging foreign exchange risks in accordance with sales volumes and the sales region, the net sale of and profit from products and services subject to foreign currency transactions, or the yen values of the income, losses, assets and liabilities of overseas consolidated subsidiaries will be affected should there be a sharp fluctuation in foreign exchange rates.

(8) Fund procurement risk

While the Nikon Group is procuring funds as the need arises with due consideration for the balance between long-term and short-term funds, as well as between direct and indirect financing, there is a possibility that such effects as an increase in interest rates on the fund procured or limitation of the means for procuring fund may arise should the financial market climate deteriorate further. There is a possibility that fund procurement by the Group will also be impacted should the rating of the Company's bond be revised downward due to a decline in business performance.

(9) Risk relating to the protection of and litigations on intellectual property rights

The Nikon Group acquires and holds numerous intellectual property rights as it develops products. In some cases, the Group licenses such intellectual property rights to other companies. Although utmost efforts are being made for the maintenance and protection of these intellectual property rights, there is a possibility that considerable litigation expenses will be incurred should a lawsuit be filed in connection with an unlicensed use of the Group's intellectual property rights by another company.

Further, there is a possibility that other companies, individuals, or entities will file a complaint against the Nikon Group for an alleged infringement on their intellectual property rights, although the Group is paying adequate attention to avoiding infringing third-party intellectual property rights in conducting product development. Should such a situation occur, there is a possibility that the Group's profit and financial position will be affected significantly.

(10) Securing key personnel and outflow of human resources and know-how

The Nikon Group is supported by its employees, who possess advanced technical and other expertise and abilities, and securing such human resources is becoming increasingly more important in order to win through intense competitions in the market. However, should labor fluidity increase further for some reason, there is a possibility that such key personnel will resign, taking their expertise and know-how with them. In order to minimize such outflow of expertise and know-how, the internal transmission, standardization and sharing of proprietary technologies and skills are being promoted. While it is important to secure competent human resources locally overseas, it is believed that the risk of an outflow of human resources is particularly high in regions with high labor fluidity.

Since long-term education and training are essential in order to foster human resources given the rapid technological renovations in the business that the Group is engaged in, replacing key personnel that depart may be difficult at times and may thus adversely affect the Group's future growth, profit and financial position.

(11) Information Leaks

The Nikon Group retains such important information as technical information, corporate information, and the personal information of its customers and other persons concerned. Among other things, the Group is enhancing its internal regulations on the handling of information and educating its employees, while thoroughly controlling external access to such information and improving the level of storage security. However, in the rare event of leakage of the Group's confidential information, including technical information, there is a possibility that the corporate value of the Nikon Group will be damaged. Further, should corporate or personal information leak out, the Group would not only suffer damages to its credibility, but would also be subject to claims for compensation from such entities as business partners, customers, employees or other entities suffering the effect of the leak. Should this occur, there is a possibility that the Group's profit and financial position will be affected adversely as tremendous costs will be necessary for various activities related to the recovery of trust, compensation to subject companies and individuals, implementation of measures to prevent recurrence, and other necessities.

(12) Defects in products and services

As concerns the Nikon Group's products and services, advanced quality assurance systems are in place within Japanese and overseas Group companies, as well as production contractors, in order to provide customers with highly trustable and sophisticated products. However, in the rare event that a customer suffers a loss due to a defect in a product or service, there is a possibility that profit and financial position will be adversely affected, there being the risk that large amounts will be incurred in repair expenses and costs related to liability, recall, disposal of products and the like, in addition to the decreased desire of customers to purchase the Group's products and services due to a decrease in customer trust in the Nikon brand.

(13) Occurrence of natural disasters, etc.

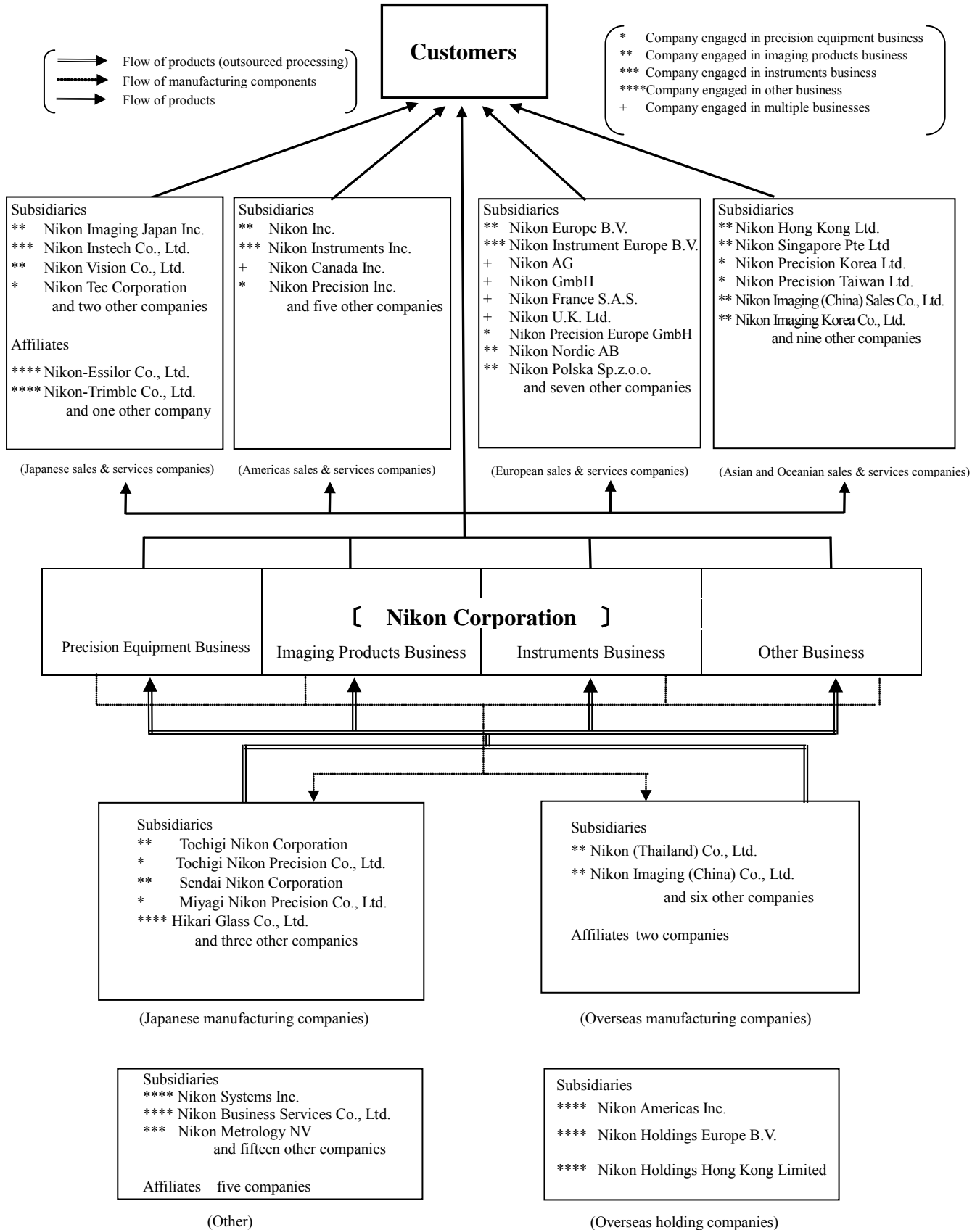
Due attention is being paid to measures relating to such natural disasters as earthquakes, fires and flood, and measures to counter the expansion of such infectious diseases as new strains of influenza, giving priority in particular to the promotion of the business continuity plan (BCP), which was formulated as a part of earthquake countermeasures. However, there is the risk that operations will be suspended and production and shipment will be delayed, should the Group's development or production sites, suppliers or other relevant parties suffer critical damage. There is a possibility that the Group's profit and financial position will be adversely affected, should net sales decrease and considerable expenses be incurred for business recovery as a result thereof.

(14) Damages to brand value

The Nikon Group is making utmost efforts to protect and enhance the 'Nikon Brand,' which was fostered over years of corporate management marked with integrity and provision of products and services that are worthy of customer trust. However, there is a possibility that the Group's profit and financial position will be adversely affected should trust in the brand decline and the value of the Nikon brand be damaged, as a result of the circulation of negative reputation or evaluation of the Group's technologies, products or services.

2. Status of Nikon Group

The Nikon Group is comprised of Nikon Corporation (the Company), its 83 subsidiaries, and 10 affiliates. While the principal operations of the Group are manufacturing and sales relating to the precision equipment, imaging product, instruments, and other businesses, it is also engaged in other operations and activities incidental thereto, such as services.



3. Management Policies

(1) Company's Basic Management Policies

The Group sets "Our Aspirations" as follows, under its corporate philosophy of "Trustworthiness and Creativity".

Our Philosophy

"Trustworthiness and Creativity"

Our Aspirations

"Meeting needs. Exceeding expectations."

- 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 towards transformation and a new future.
- Maintaining integrity in order to contribute to social prosperity

(2) Targeted Management Indices

The Group will make a unified effort to vigorously progress for the achievement of its goal to realize "the Nikon Group that keeps on providing new values and generates sustainable growth."

A new Medium Term Management Plan is currently being formulated. The new Medium Term Management Plan, which will set the fiscal year ending March 31, 2017 as its target for achievement, will be announced in June, 2014.

(3) Medium and Long-term Management Strategies and Issues to be addressed

For the Nikon Group to continuously provide new value, its medium- and long-term management will be effected by focusing on the following measures.

- To constantly provide customers with new value, and further grow the Nikon brand.
- To realize a Nikon Group with a strong corporate structure to deal with environmental changes with flexibility and a sense of speed.
- To achieve a solid leading position for existing businesses.
- To accelerate the nurturing of new businesses, with priority on the areas of the health and medicine fields, and aim to become a company that can offer total solutions.
- To recognize the importance of Corporate Social Responsibility (CSR), and contribute to the sustainable development of society.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2013	As of March 31, 2014
Assets		
Current assets		
Cash and deposits	110,281	225,591
Notes and accounts receivable-trade	134,225	128,443
Merchandise and finished goods	116,504	92,792
Work in process	119,760	123,813
Raw materials and supplies	33,147	28,336
Deferred tax assets	43,959	38,373
Other	21,563	15,513
Allowance for doubtful accounts	(3,795)	(3,969)
Total Current Assets	575,647	648,822
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	119,753	126,082
Accumulated depreciation	(73,978)	(75,469)
Buildings and structures, net	45,774	50,612
Machinery, equipment and vehicles	195,860	208,489
Accumulated depreciation	(138,309)	(150,879)
Machinery, equipment and vehicles, net	57,551	57,609
Land	15,025	15,234
Lease assets	13,969	12,001
Accumulated depreciation	(10,091)	(9,104)
Lease assets, net	3,878	2,896
Construction in progress	15,935	8,407
Other	74,759	81,716
Accumulated depreciation	(51,320)	(57,199)
Other, net	23,439	24,516
Total property, plant and equipment	161,605	159,278
Intangible assets		
Goodwill	4,443	3,759
Other	27,826	29,247
Total intangible assets	32,270	33,006
Investments and other assets		
Investment securities	66,859	72,742
Net defined benefit asset	—	19,266
Other	28,517	16,653
Allowance for doubtful accounts	(231)	(255)
Total investments and other assets	95,144	108,408
Total noncurrent assets	289,019	300,693
Total assets	864,667	949,515

(Million yen)

	As of March 31, 2013	As of March 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable-trade	124,676	118,841
Short-term loans payable	18,739	14,511
Current portion of bonds	—	10,000
Lease obligations	1,703	1,301
Accrued expenses	54,505	52,272
Income taxes payable	1,395	4,449
Advances received	50,799	46,373
Provision for product warranties	8,096	9,926
Other	39,270	22,499
Total current liabilities	299,186	280,176
Noncurrent liabilities		
Bonds payable	40,000	50,000
Long-term loans payable	22,600	49,600
Lease obligations	2,305	1,719
Provision for retirement benefits	3,631	—
Net defined benefit liability	—	4,674
Asset retirement obligations	2,512	2,755
Deferred tax liabilities	318	10,356
Other	3,896	3,419
Total noncurrent liabilities	75,263	122,525
Total liabilities	374,450	402,702
Net assets		
Shareholders' equity		
Capital stock	65,475	65,475
Capital surplus	80,711	80,711
Retained earnings	345,698	384,843
Treasury stock	(12,804)	(12,618)
Total shareholders' equity	479,081	518,412
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,482	12,859
Deferred gains or losses on hedges	(216)	(160)
Foreign currency translation adjustment	2,135	17,424
Remeasurements of defined benefit plans	(1,060)	(2,762)
Total accumulated other comprehensive income	10,340	27,361
Subscription rights to shares	795	952
Minority interests	—	87
Total net assets	490,217	546,813
Total liabilities and net assets	864,667	949,515

(2) Consolidated Statements of Income and Statements of Comprehensive Income

① Consolidated Statements of Income

(Million yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Net sales	1,010,493	980,556
Cost of sales	663,509	630,568
Gross profit	346,984	349,987
Selling, general and administrative expenses	295,982	287,046
Operating income	51,001	62,941
Non-operating income		
Interest income	721	933
Dividends income	1,347	1,139
Equity in earnings of affiliates	2,462	2,328
Other	3,317	4,786
Total non-operating income	7,849	9,187
Non-operating expenses		
Interest expenses	1,300	1,351
Foreign exchange losses	7,300	5,486
Other	1,905	3,565
Total non-operating expenses	10,506	10,403
Ordinary income	48,344	61,725
Extraordinary income		
Gain on sales of noncurrent assets	302	238
Gain on sales of investment securities	5,132	1,484
Compensation income for expropriation	—	15,006
Insurance income	8,864	—
Total extraordinary income	14,299	16,729
Extraordinary loss		
Loss on sales of noncurrent assets	57	23
Impairment loss	663	2,319
Loss on sales of investment securities	31	11
Loss on valuation of investment securities	35	458
Environmental expenses	—	949
Total extraordinary losses	788	3,763
Income before income taxes	61,856	74,691
Income taxes-current	12,081	11,714
Income taxes-deferred	7,316	16,143
Total income taxes	19,397	27,857
Income before minority interests	42,459	46,834
Minority interests in income	—	9
Net income	42,459	46,824

② Consolidated Statements of Comprehensive Income

(Million yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Income before minority interests	42,459	46,834
Other comprehensive income		
Valuation difference on available-for-sale securities	6,414	3,396
Deferred gains or losses on hedges	1,376	56
Foreign currency translation adjustment	23,661	15,288
Remeasurements of defined benefit plans	(204)	275
Share of other comprehensive income of associates accounted for using equity method	6	(18)
Total other comprehensive income	31,254	18,997
Comprehensive income	73,713	65,832
(Breakdown)		
Comprehensive income attributable to owners of the parent	73,713	65,811
Comprehensive income attributable to minority interests	—	20

(3) Consolidated Statements of Changes in Net Assets Year ended March 31, 2013

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance of April 1, 2012	65,475	80,711	319,823	(12,992)	453,017
Cumulative effect of changes in accounting policies			5		5
Balance of April 1, 2012 as restated	65,475	80,711	319,828	(12,992)	453,023
Changes of items during the period					
Dividends from surplus			(8,327)		(8,327)
Dividends from surplus (interim dividends)			(7,534)		(7,534)
Net income			42,459		42,459
Purchase of treasury stock				(6)	(6)
Disposal of treasury stock			(116)	195	78
Changes in the number of consolidated subsidiaries			(611)		(611)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	25,869	188	26,058
Balance of March 31, 2013	65,475	80,711	345,698	(12,804)	479,081

	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance of April 1, 2012	3,061	(1,592)	(21,474)	—	(20,005)	604	—	433,616
Cumulative effect of changes in accounting policies			(51)	(856)	(907)			(902)
Balance of April 1, 2012 as restated	3,061	(1,592)	(21,526)	(856)	(20,913)	604	—	432,714
Changes of items during the period								
Dividends from surplus								(8,327)
Dividends from surplus (interim dividends)								(7,534)
Net income								42,459
Purchase of treasury stock								(6)
Disposal of treasury stock								78
Changes in the number of consolidated subsidiaries								(611)
Net changes of items other than shareholders' equity	6,420	1,376	23,661	(204)	31,254	190	—	31,445
Total changes of items during the period	6,420	1,376	23,661	(204)	31,254	190	—	57,503
Balance of March 31, 2013	9,482	(216)	2,135	(1,060)	10,340	795	—	490,217

Consolidated Statements of Changes in Net Assets Year ended March 31, 2014

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance of April 1, 2013	65,475	80,711	345,698	(12,804)	479,081
Changes of items during the period					
Dividends from surplus			(4,759)		(4,759)
Dividends from surplus (interim dividends)			(3,966)		(3,966)
Net income			46,824		46,824
Purchase of treasury stock				(10)	(10)
Disposal of treasury stock			(112)	196	83
Changes in the number of consolidated subsidiaries			1,158		1,158
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	39,144	185	39,330
Balance of March 31, 2014	65,475	80,711	384,843	(12,618)	518,412

	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance of April 1, 2013	9,482	(216)	2,135	(1,060)	10,340	795	—	490,217
Changes of items during the period								
Dividends from surplus								(4,759)
Dividends from surplus (interim dividends)								(3,966)
Net income								46,824
Purchase of treasury stock								(10)
Disposal of treasury stock								83
Changes in the number of consolidated subsidiaries								1,158
Net changes of items other than shareholders' equity	3,377	56	15,288	(1,701)	17,020	156	87	17,264
Total changes of items during the period	3,377	56	15,288	(1,701)	17,020	156	87	56,595
Balance of March 31, 2014	12,859	(160)	17,424	(2,762)	27,361	952	87	546,813

(4) Consolidated Statements of Cash Flows

(Million yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Cash flows from operating activities		
Income before income tax	61,856	74,691
Depreciation and amortization	36,225	42,477
Impairment loss	663	2,319
Increase (decrease) in allowance for doubtful accounts	(1,403)	(247)
Increase (decrease) in provision for product warranties	78	1,558
Increase (decrease) in provision for retirement benefits	(987)	—
Increase (decrease) in net defined benefit liability benefits	—	(531)
Interest and dividends income	(2,069)	(2,073)
Equity in (earnings) losses of affiliates	(2,462)	(2,328)
Interest expenses	1,300	1,351
Loss on retirement of noncurrent assets	(245)	(214)
Loss (gain) on sales of investment securities	(5,101)	(1,473)
Loss (gain) on valuation of investment securities	35	458
Compensation income for expropriation	—	(15,006)
Decrease (increase) in notes and accounts receivable-trade	19,790	13,924
Decrease (increase) in inventories	12,081	34,684
Increase (decrease) in notes and accounts payable-trade	(35,820)	(13,941)
Increase (decrease) in advances received	(3,679)	(6,125)
Other, net	(266)	(12,298)
Subtotal	79,996	117,226
Interest and dividends income received	3,449	4,058
Interest expenses paid	(1,270)	(1,322)
Income taxes (paid) refund	(30,283)	(5,777)
Net cash provided by (used in) operating activities	51,890	114,185
Cash flows from investing activities		
Purchase of property, plant and equipment	(61,855)	(32,680)
Proceeds from sales of property, plant and equipment	2,762	737
Purchase of investment securities	(1,410)	(4,628)
Proceeds from sales of investment securities	5,277	4,117
Decrease (increase) in loans receivable	(109)	23
Proceeds from compensation for expropriation	—	4,491
Other, net	(9,774)	(15,255)
Net cash provided by (used in) investing activities	(65,109)	(43,193)
Cash flows from financing activities		
Proceeds from issuance of bonds	—	19,888
Net increase (decrease) in short-term loans payable	(91)	762
Proceeds from long-term loans payable	4,700	27,000
Repayment of long-term loans payable	(4,700)	(5,000)
Cash dividends paid	(15,841)	(8,721)
Other, net	(2,264)	(2,060)
Net cash provided by (used in) financing activities	(18,198)	31,868
Effect of exchange rate change on cash and cash equivalents	9,370	7,330
Net increase (decrease) in cash and cash equivalents	(22,046)	110,190
Cash and cash equivalents at beginning of period	131,711	110,094
Increase in cash and cash equivalents from newly consolidated subsidiary	429	1,082
Cash and cash equivalents at end of period	110,094	221,367

(5) Note on Assumptions for Going Concern

Not applicable

(6) Basis of Presenting Consolidated Financial Statements

1. Scope of Consolidation

(1) Number of Consolidated subsidiaries: 70 companies

Principal subsidiaries:

Tochigi Nikon Corporation, Tochigi Nikon Precision Co., Ltd., Sendai Nikon Corporation, Miyagi Nikon Precision Co., Ltd., Nikon Imaging Japan Inc., Nikon Instech Co., Ltd., Nikon (Thailand) Co., Ltd., Nikon Imaging (China) Co., Ltd., Nikon Hong Kong Ltd., Nikon Inc., Nikon Precision Inc., Nikon Europe B.V. and others.

[Additions: 3 companies]

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

[Exclusions: 4 companies]

Nikon Precision Singapore Pte Ltd, Metris Manufacturing NV, 3D Engineering Solutions Ltd., Metris Asia Pacific Ltd.

(2) Non-consolidated subsidiaries: 13 companies

Major company name: Nanjing Nikon Jiangnan Optical Instrument Co., Ltd.

Since these companies are small in scale, their combined assets, net sales, net income (the company's interest share) and retained earnings (the company's interest share) have a minimal effect on the Company's consolidated financial statements.

2. Scope of Equity Method

(1) Number of Associated Company accounted for by Equity Method: 2 companies

Company names: Nikon-Essilor Co., Ltd., Nikon-Trimble Co., Ltd.

(2) Number of Non-consolidated Company not accounted for by Equity Method: 13 companies

Major company name: Nanjing Nikon Jiangnan Optical Instrument Co., Ltd.

(3) Number of Associated Company not accounted for by Equity Method: 8 companies

Major company name: Nihon System Seigyo K.K.

Since these companies are small in scale, net income (the company's interest share) and retained earnings (the company's interest share) have a minimal effect on the Company's consolidated financial statements. They are insignificant in general; therefore, they are not included in the scope of consolidation.

(4) Companies that are in the scope of equity method and have a closing date other than March 31 use financial statements based on the fiscal year of each company.

3. Fiscal period of consolidated subsidiaries

The statutory closing date of the following companies is December 31, different from the closing date of the Company, March 31. For those companies, the financial statements based on the tentative financial closing as of March 31 are used for the consolidated financial statements.

Company names: 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.

(7) Changes in Basis of Presenting Consolidated Financial Statements

1. Changes in Accounting Policies, Accounting Estimates and Restatement of Corrections

(Changes in Accounting Policies)

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

The Accounting Standard for Retirement Benefits is being applied transitionally as determined in its Clause 37. At the end of the fiscal year under review, the effect of the change in accounting standard is stated as an

increase or decrease of remeasurements of defined benefit plans under accumulated other comprehensive income.

As a result of this change, at the end of the fiscal year, net defined benefit liability of 1,536 million yen was recognized, and net defined benefit asset of 1,557 million yen and accumulated other comprehensive income of 1,977 million yen decreased respectively. The effect on per-share data is stated in the relevant location.

Effective from the fiscal year under review, the Company has applied International Accounting Standard No. 19, "Employee Benefits" (amended June 16, 2011), to certain consolidated subsidiaries, which has resulted in a change in methods for recognition and presentation of actuarial gains and losses, prior service cost, interest costs and others. The change in accounting policy has been applied retrospectively and is reflected in the consolidated financial statements for the previous fiscal year (ended March 31, 2013). The effect of this change is minimal.

(Unapplied accounting standards)

- "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012)
- "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012)

(1) Overview

In terms of method of attributing expected retirement benefits to periods, benefit formula basis has become applicable along with the straight-line basis, and also calculation method for discount rates has been amended.

(2) Scheduled date of application

The aforementioned changes are scheduled to take effect from the beginning of the fiscal year ending March 31, 2015. However, as the above accounting standards, etc. include provisions for transitional measures, retrospective application will not be made to the consolidated financial statements for the past period.

(3) Effect of the application of these accounting standards, etc.

Based on the review of the method of calculating retirement liability and service cost, method of attributing expected retirement benefits to periods will be changed from straight-line basis to benefit formula basis.

As a result of this change, retained earnings at the beginning of the fiscal year ending March 31, 2015 is expected to decrease by 11,970 million yen.

The impact on net income for the fiscal year ending March 31, 2015 is expected to be minimal.

(Changes in Presentation)

Consolidated balance sheets

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

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

(Supplementary Information)

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

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

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

As a result of the change, net deferred tax assets (after deducting deferred tax liabilities) decreased by 1,550 million yen, while income taxes-deferred increased by 1,545 million yen.

(8) Notes to Consolidated Financial Statements

1) Consolidated Statements of Income

1. Principal Items and Amounts under Selling, General and Administrative Expenses

(Million yen)

	Fiscal year ended March 31, 2013 (From April 1 2012 to March 31, 2013)	Fiscal year ended March 31, 2014 (From April 1 2013 to March 31, 2014)
Advertising expenses	83,815	73,232
Provision for doubtful debts	(461)	(128)
Provision for product warranties	4,211	4,992
Salary and allowances	32,855	32,965
Retirement benefit expenses	2,356	2,149
Other personnel expenses	17,681	17,332
Research and development	76,496	74,552

2. Compensation income for expropriation

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

3. Impairment loss

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

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

4. Environmental expenses

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

2) Segment Information

1. Outline of business segments reported

The business segments the Group reports are the business units for which the Company is able to obtain respective 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 introduces company-based organization. Each operating division addresses the creation of consistent responsibility system and thoroughness of decentralized operation. Each Company is composed of segments by products and services based on operating division. Therefore, the Group has three reportable segments: the Precision Equipment Business, the Imaging Products Business and the Instruments Business.

The precision equipment business provides products and services of IC steppers and LCD steppers. The imaging products business provides products and services of imaging products and its peripheral domain, like digital SLR cameras, compact digital cameras and interchangeable camera lenses. The instruments business provides products and services of microscopes, measuring instruments and inspection equipment.

2. Method for calculating the sales, income (loss), assets, and other items for reporting segments

The accounting methods for the reporting business segments are generally those set forth in “Material Items Which Form the Basis for Preparation of the Consolidated Financial Statements.” Figures for income of reporting segments are on an operating income basis. Inter-segment sales or transfer are based on current market price.

3. Information on the amounts of sales, income (loss), assets, and other items by reporting segments

Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)

(Million yen)

	Business segments reported				Other ¹	Total	Adjustment ²	Consolidated Statement of income ³
	Precision Equipment	Imaging Products	Instruments	Total				
Sales								
Outside customers	179,013	751,240	53,877	984,130	26,363	1,010,493	—	1,010,493
Inter-segment sales or transfer	949	793	1,101	2,844	32,026	34,871	(34,871)	—
Total	179,962	752,034	54,978	986,975	58,389	1,045,365	(34,871)	1,010,493
Segment income (loss)	13,090	60,711	(4,977)	68,823	3,555	72,379	(21,377)	51,001
Segment assets	191,438	297,518	49,281	538,238	110,929	649,168	215,851	865,019
Other items								
Depreciation and amortization	8,720	16,258	1,550	26,529	6,454	32,983	3,241	36,225
Increase in tangible/intangible fixed assets	8,301	34,449	1,512	44,262	10,733	54,996	5,161	60,158

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

2. Adjustment of segment income (loss) refers to elimination of intersegment transactions of 249 million yen and corporate expenses of minus 21,626 million yen. In addition, segment assets adjustment includes corporate assets not allocated to the respective reportable segments of 243,653 million yen and elimination of intersegment transactions of minus 27,801 million yen. 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. Segment income is adjusted with reported operating income on the consolidated financial statements.

Fiscal year ended March 31, 2014 (From April 1 2013 to March 31, 2014)

(Million yen)

	Business segments reported				Other ¹	Total	Adjustment ²	Consolidated Statement of income ³
	Precision Equipment	Imaging Products	Instruments	Total				
Sales								
Outside customers	205,446	685,446	64,708	955,601	24,954	980,556	—	980,556
Inter-segment sales or transfer	500	558	900	1,959	23,267	25,227	(25,227)	—
Total	205,946	686,005	65,609	957,561	48,222	1,005,783	(25,227)	980,556
Segment income (loss)	20,079	64,284	(2,156)	82,207	4,419	86,626	(23,685)	62,941
Segment assets	203,779	242,783	57,263	503,826	98,133	601,959	347,555	949,515
Other items								
Depreciation and amortization	9,561	20,724	1,717	32,003	5,774	37,777	4,699	42,477
Increase in tangible/intangible fixed assets	9,730	16,130	1,362	27,224	11,314	38,538	6,933	45,472

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

2. Adjustment of segment income (loss) refers to elimination of intersegment transactions of 341 million yen and corporate expenses of minus 24,026 million yen. In addition, segment assets adjustment includes corporate assets not allocated to the respective reportable segments of 360,425 million yen and elimination of intersegment transactions of minus 12,869 million yen. 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. Segment income is adjusted with reported operating income on the consolidated financial statements.

[Related Information]

Fiscal year ended March 31, 2013 (From April 1 2012 to March 31, 2013)

1. Information by geographical area

(1) Net Sales

(Million yen)

Japan	USA	Europe	China	Other	Total
144,417	271,459	260,038	118,162	216,416	1,010,493

(Note) Sales information is based on the geographical location of customers, and it is classified by region.

(2) Property, plant and equipment

(Million yen)

Japan	North America	Europe	China	Thailand	Other	Total
92,510	6,210	4,370	17,446	39,724	1,341	161,605

Fiscal year ended March 31, 2014 (From April 1 2013 to March 31, 2014)

1. Information by geographical area

(1) Net Sales

(Million yen)

Japan	USA	Europe	China	Other	Total
150,161	222,676	254,036	141,501	212,179	980,556

(Note) Sales information is based on the geographical location of customers, and it is classified by region.

(2) Property, plant and equipment

(Million yen)

Japan	North America	Europe	China	Thailand	Other	Total
92,690	6,325	4,459	17,966	36,470	1,366	159,278

[Information for amortization of goodwill and balance of goodwill by business segments reported]

Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)

(Million yen)

	Business segments reported				Other	Corporate or Eliminations	Total
	Precision Equipment	Imaging Products	Instruments	Total			
Amortization of goodwill for the current fiscal year	-	-	714	714	-	-	714
Balance of goodwill at fiscal year ended March 31, 2014	-	-	4,443	4,443	-	-	4,443

Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

(Million yen)

	Business segments reported				Other	Corporate or Eliminations	Total
	Precision Equipment	Imaging Products	Instruments	Total			
Amortization of goodwill for the current fiscal year	-	-	683	683	-	-	683
Balance of goodwill at fiscal year ended March 31, 2014	-	-	3,759	3,759	-	-	3,759

3) Per-Share Information

Fiscal Year Ended March 2013 (From April 1, 2012 to March 31, 2013)		Fiscal Year Ended March 2014 (From April 1, 2013 to March 31, 2014)	
	(Yen)		(Yen)
Net assets per share	1,234.05	Net assets per share	1,375.92
Net income per share	107.07	Net income per share	118.06
Net income per share (fully diluted)	106.92	Net income per share (fully diluted)	117.88

Notes: 1. The basis for calculating net income per share and fully diluted net income per share is shown below.

	Fiscal Year Ended March 2013 (From April 1, 2012 to March 31, 2013)	Fiscal Year Ended March 2014 (From April 1, 2013 to March 31, 2014)
Net income per share		
Net income (million yen)	42,459	46,824
Amount not belonging to common stockholders (million yen)	-	-
Net income related to common stock (million yen)	42,459	46,824
Average shares outstanding (1,000 shares)	396,566	396,630
Net income per share (fully diluted)		
Increase in common stock (1,000 shares)	555	607
(Subscription rights to shares) (1,000 shares)	(555)	(607)
Latent shares not included in fully diluted net income per share calculation due to lack of dilution effect.	2007 stock options (99 new share subscription rights): 99,000 shares of common stock	2007 stock options (79 new share subscription rights): 79,000 shares of common stock

Notes: 2. As stated in "Changes in Accounting Policies," effective from the end of the fiscal year under review, the Accounting Standard for Retirement Benefits is being applied transitionally as determined in its Clause 37. As a result, net assets per share of fiscal year ended March 2014 decreased by 5.05 yen.

4) Significant Subsequent Events

Not applicable

5. Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheets

(Million yen)

	As of March 31,2013	As of March 31,2014
Assets		
Current assets		
Cash and deposits	48,407	109,636
Notes receivable-trade	7,227	4,464
Accounts receivable-trade	60,935	68,182
Merchandise and finished goods	48,558	36,123
Work in process	106,643	114,966
Raw materials and supplies	13,853	12,083
Deferred tax assets	33,029	25,688
Short-term loans receivable from subsidiaries and affiliates	37,989	38,650
Income taxes receivable	4,334	—
Accounts receivable-other	10,454	7,874
Other	1,012	988
Allowance for doubtful accounts	(36)	(5)
Total current assets	372,408	418,651
Noncurrent assets		
Property, plant and equipment		
Buildings, net	20,155	22,959
Structures, net	775	858
Machinery and equipment, net	21,837	24,195
Vehicles, net	122	84
Tools, furniture and fixtures, net	5,798	6,482
Land	9,872	9,840
Lease assets, net	2,943	2,267
Construction in progress	11,602	7,044
Total property, plant and equipment	73,106	73,734

(Million yen)

	As of March 31,2013	As of March 31,2014
Intangible assets		
Patent right	5,289	4,836
Leasehold right	4	4
Right of trademark	15	9
Software	18,673	19,828
Other	85	396
Total intangible assets	24,068	25,075
Investments and other assets		
Investment securities	54,441	60,618
Stocks of subsidiaries and affiliates	48,280	49,931
Investments in capital	1	1
Investments in capital of subsidiaries and affiliates	14,918	14,918
Long-term loans receivable from subsidiaries and affiliates	18,607	14,909
Long-term loans receivable from employees	7	8
Long-term prepaid expenses	820	746
Prepaid pension cost	12,516	19,973
Deferred tax assets	8,411	—
Other	3,304	2,669
Allowance for doubtful accounts	(9)	(9)
Total investments and other assets	161,301	163,769
Total noncurrent assets	258,476	262,579
Total assets	630,885	681,230

(Million yen)

	As of March 31,2013	As of March 31,2014
Liabilities		
Current liabilities		
Notes payable-trade	529	2,160
Electronically recorded obligations-operating	4,490	24,366
Accounts payable-trade	94,586	72,145
Short-term loans payable	13,600	13,600
Current portion of long-term loans payable	5,000	—
Current portion of bonds	—	10,000
Lease obligations	1,352	1,077
Accounts payable-facilities	10,720	8,172
Accrued expenses	24,988	23,108
Income taxes payable	159	3,732
Advances received	44,795	38,403
Suspense receipt by land expropriation	10,490	—
Deposits received	26,598	26,557
Provision for product warranties	4,420	5,740
Other	3,908	1,430
Total current liabilities	245,642	230,495
Noncurrent liabilities		
Bonds payable	40,000	50,000
Long-term loans payable	22,600	49,600
Lease obligations	1,703	1,298
Asset retirement obligations	1,559	1,674
Deferred tax liabilities	—	1,166
Other	1,010	901
Total noncurrent liabilities	66,874	104,641
Total liabilities	312,516	335,137
Net assets		
Shareholders' equity		
Capital stock	65,475	65,475
Capital surplus		
Legal capital surplus	80,711	80,711
Total capital surplus	80,711	80,711
Retained earnings		
Legal retained earnings	5,565	5,565
Other retained earnings		
Reserve for special depreciation	15	7
Reserve for research and development	2,056	2,056
Reserve for reduction entry of replaced property	4,751	4,453
Reserve for reduction entry	13	4,797
General reserve	111,211	111,211
Retained earnings brought forward	51,367	70,831
Total retained earnings	174,979	198,921
Treasury stock	(12,804)	(12,618)
Total shareholders' equity	308,362	332,490
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	9,460	12,844
Deferred gains or losses on hedges	(250)	(193)
Total valuation and translation adjustments	9,210	12,650
Subscription rights to shares	795	952
Total net assets	318,369	346,093
Total liabilities and net assets	630,885	681,230

(2) Non-Consolidated Statements of Income

(Million yen)

	Year ended March 31,2013	Year ended March 31,2014
Net sales	749,198	716,863
Cost of sales	594,186	545,682
Gross profit	155,012	171,180
Selling, general and administrative expenses	138,384	138,371
Operating income	16,628	32,809
Non-operating income		
Interest income	408	451
Dividends income	8,809	10,801
Rent income on noncurrent assets	2,640	1,840
Royalty income	584	693
Other	1,279	1,787
Total non-operating income	13,721	15,575
Non-operating expenses		
Interest expenses	465	412
Interest on bonds	537	545
Rent expenses on noncurrent assets	2,407	1,649
Foreign exchange losses	5,881	5,053
Other	880	2,495
Total non-operating expenses	10,172	10,156
Ordinary income	20,176	38,228
Extraordinary income		
Gain on sales of noncurrent assets	270	150
Gain on sales of investment securities	—	1,484
Gain on sales of subsidiaries and affiliates' stocks	5,132	—
Compensation income for expropriation	—	14,926
Total extraordinary income	5,403	16,561
Extraordinary loss		
Loss on sales of noncurrent assets	0	0
Impairment loss	541	601
Loss on sales of investment securities	31	8
Loss on valuation of investment securities	35	458
Loss on sales of stocks of subsidiaries and affiliates	—	3
Environmental expenses	—	103
Total extraordinary losses	609	1,175
Income before income taxes	24,970	53,615
Income taxes-current	713	5,353
Income taxes-deferred	4,075	15,482
Total income taxes	4,788	20,835
Net income	20,182	32,780

(3) Non-Consolidated Statement of Changes in Net Assets

Year ended March 31, 2013

(Million yen)

	Shareholders' equity									
	Capital stock	Capital surplus		Retained earnings						Total retained earnings
		Legal capital surplus	Legal retained earnings	Other retained earnings						
				Reserve for special depreciation	Reserve for research and development	Reserve for reduction entry of replaced property	Reserve for reduction entry	General reserve	Retained earnings brought forward	
Balance of April 1, 2012	65,475	80,711	5,565	22	2,056	5,072	18	111,211	46,828	170,774
Changes of items during the period										
Reversal of reserve for special depreciation				(7)					7	—
Provision of reserve for reduction entry of replaced property						42			(42)	—
Reversal of reserve for reduction entry of replaced property						(364)			364	—
Provision of reserve for reduction entry										
Reversal of reserve for reduction entry							(5)		5	—
Dividends from surplus									(8,327)	(8,327)
Dividends from surplus (Interim dividends)									(7,534)	(7,534)
Net income									20,182	20,182
Purchase of treasury stock										
Disposal of treasury stock									(116)	(116)
Net changes of items other than Shareholders' equity										
Total changes of items during the period	—	—	—	(7)	—	(321)	(5)	—	4,538	4,204
Balance of March 31, 2013	65,475	80,711	5,565	15	2,056	4,751	13	111,211	51,367	174,979

	Shareholders' equity		Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance of April 1, 2012	(12,992)	303,969	3,047	(1,626)	1,421	604	305,995
Changes of items during the period							
Reserve for special depreciation		—					—
Provision of reserve for reduction entry of replaced property		—					—
Reversal of reserve for reduction entry of replaced property		—					—
Provision of reserve for reduction entry		—					—
Reversal of reserve for reduction entry		—					—
Dividends from surplus		(8,327)					(8,327)
Dividends from surplus (Interim dividends)		(7,534)					(7,534)
Net income		20,182					20,182
Purchase of treasury stock	(6)	(6)					(6)
Disposal of treasury stock	195	78					78
Net changes of items other than Shareholders' equity			6,413	1,376	7,789	190	7,980
Total changes of items during the period	188	4,393	6,413	1,376	7,789	190	12,373
Balance of March 31, 2013	(12,804)	308,362	9,460	(250)	9,210	795	318,369

Year ended March 31, 2014

(Million yen)

	Shareholders' equity									
	Capital stock	Capital surplus		Retained earnings						Total retained earnings
		Legal capital surplus	Legal retained earnings	Other retained earnings				Retained earnings brought forward		
				Reserve for special depreciation	Reserve for research and development	Reserve for reduction entry of replaced property	Reserve for reduction entry		General reserve	
Balance of April 1,2013	65,475	80,711	5,565	15	2,056	4,751	13	111,211	51,367	174,979
Changes of items during the period										
Reversal of reserve for special depreciation				(7)					7	—
Provision of reserve for reduction entry of replaced property										
Reversal of reserve for reduction entry of replaced property						(298)			298	—
Provision of reserve for reduction entry							4,851		(4,851)	—
Reversal of reserve for reduction entry							(67)		67	—
Dividends from surplus									(4,759)	(4,759)
Dividends from surplus (Interim dividends)									(3,966)	(3,966)
Net income									32,780	32,780
Purchase of treasury stock										
Disposal of treasury stock									(112)	(112)
Net changes of items other than Shareholders' equity										
Total changes of items during the period	—	—	—	(7)	—	(298)	4,783	—	19,463	23,942
Balance of March 31,2014	65,475	80,711	5,565	7	2,056	4,453	4,797	111,211	70,831	198,921

	Shareholders' equity		Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance of April 1,2013	(12,804)	308,362	9,460	(250)	9,210	795	318,369
Changes of items during the period							
Reserve for special depreciation		—					—
Provision of reserve for reduction entry of replaced property		—					—
Reversal of reserve for reduction entry of replaced property		—					—
Provision of reserve for reduction entry		—					—
Reversal of reserve for reduction entry		—					—
Dividends from surplus		(4,759)					(4,759)
Dividends from surplus (Interim dividends)		(3,966)					(3,966)
Net income		32,780					32,780
Purchase of treasury stock	(10)	(10)					(10)
Disposal of treasury stock	196	83					83
Net changes of items other than Shareholders' equity			3,383	56	3,440	156	3,596
Total changes of items during the period	185	24,127	3,383	56	3,440	156	27,724
Balance of March 31,2014	(12,618)	332,490	12,844	(193)	12,650	952	346,093