

August 6, 2015

Consolidated Financial Results of the First Quarter ended June 30, 2015 (Japanese Standards)

Company name: NIKON CORPORATION

Code number: 7731; Stock listings: Tokyo Stock Exchange

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Preparation of supplementary materials for quarterly financial results: Yes

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

Note: Amounts less than 1 million yen are omitted.

1. Consolidated Results of the First Quarter Ended June 30, 2015 (From April 1, 2015 to June 30, 2015)

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2015	182,240	2.7	3,927	12.1	6,916	49.0	3,304	(10.6)
Three months ended June 30, 2014	177,444	(25.7)	3,505	(41.9)	4,642	(9.9)	3,697	(16.6)

(Note) Comprehensive Income: First quarter ended, June 30, 2015: 11,196 million yen; 140.5 %
 First quarter ended, June 30, 2014: 4,654 million yen; (65.4) %

	Net Income per Share of Common Stock	Net Income per Share of Common Stock after Dilution
	Yen	Yen
Three months ended June 30, 2015	8.33	8.31
Three months ended June 30, 2014	9.32	9.31

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
Three months ended June 30, 2015	1,004,094	574,747	57.1
Year ended March 31, 2015	972,945	572,200	58.6

(Reference) Equity: First quarter ended, June 30, 2015: 573,042 million yen
 Year ended March 31, 2015: 570,560 million yen

2. Dividends

	Dividend per Share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2015	—	10.00	—	22.00	32.00
Year ending March 31, 2016	—				
Year ending March 31, 2016 (Planned)		8.00	—	8.00	16.00

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

3. Forecasts for Year Ending March 31, 2016 (From April 1, 2015 to March 31, 2016)

(Percentage represents comparison to previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent		Net Income per Share of Common Stock
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half ending September 30, 2015	384,000	2.4	8,000	(38.9)	10,000	(32.3)	5,000	(50.4)	12.60
Full year	870,000	1.4	34,000	(21.7)	37,000	(20.2)	20,000	8.9	50.42

(Note) Revision of forecast for this period: Yes

4. Others

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

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

(2) Adoption of special accounting methods: None

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

1. Changes in accounting policies with revision of accounting standards: None

2. Changes in accounting policies other than the above: None

3. Changes in accounting estimate: None

4. Revision restatements: None

(4) Number of shares issued (common stock)

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

First quarter ended June 30, 2015 400,878,921 shares

Year ended March 31, 2015 400,878,921 shares

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

First quarter ended June 30, 2015 4,108,828 shares

Year ended March 31, 2015 4,152,366 shares

3. Average number of shares during the term (quarterly total):

First quarter ended June 30, 2015 396,746,189 shares

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

(※Indication of quarterly review procedures implementation status)

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

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

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

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1. Performance and Financial Position

(1) Qualitative Information regarding the Consolidated Operating Results

During the three months ended June 30, 2015, in the Precision Equipment Business, capital investments in the semiconductor-related field was firm, while capital investments in the FPD (Flat Panel Display)-related field was on the recovery track. In the Imaging Products Business, the Digital Camera—Interchangeable Lens Type market and the compact digital camera market remained sluggish. In the Instruments Business, the microscope-related field remained stable mainly in the Americas, and steady capital investments continued in the industrial metrology-related field.

As a result of the foregoing, net sales for the three months ended June 30, 2015 increased by 4,795 million yen (2.7%) year on year to 182,240 million yen, operating income increased by 422 million yen (12.1%) year on year to 3,927 million yen, ordinary income was up by 2,273 million yen (49.0%) year on year to 6,916 million yen, resulting in net income attributable to owners of parent of 3,304 million yen, a decrease of 393 million yen (10.6%) year on year.

Performance by business segment is as follows. In addition, from the three months ended June 30, 2015, the reportable segments are changed from prior Precision Equipment Business, Imaging Products Business, and Instruments Business, to Precision Equipment Business, Imaging Products Business, Instruments Business, and Medical Business by adding Medical business.

In the Precision Equipment Business, sales were as forecasted for the Semiconductor Lithography System field and the FPD Lithography System field, and the business recorded an overall improvement in profit compared to the same period of the previous fiscal year.

In the Imaging Products Business, sales volume decreased both for Digital camera—Interchangeable Lens Type and for compact digital cameras. However, the business recorded an increase in sales and profit compared to the same period of the previous fiscal year due to the depreciation of Japanese yen, cost reduction, and improvement in the product mix.

In the Instruments Business, the Microscope field saw growth in sales of research microscopes and confocal microscopes in the USA. The Industrial Metrology field had substantial rise in sales for automobile-related market and also for semiconductors and electronic components-related products, attributable to increases in the capital investments.

In the Medical Business, the procedures to make Optos Plc, a UK based company providing retina diagnostic imaging equipment, into a wholly-owned subsidiary were completed.

(2) Qualitative Information on Consolidated Financial Position

The balance of total assets as of June 30, 2015 increased 31,149 million yen from the end of the previous fiscal year to 1,004,094 million yen. This is mainly due to an increase in inventories by 24,185 million yen and recognition of goodwill by 35,751 million yen, as Optos Plc became a wholly-owned subsidiary, despite a decrease in cash and deposits by 24,079 million yen primarily due to a payment to acquire shares of Optos Plc.

The balance of total liabilities as of June 30, 2015 increased 28,602 million yen from the end of the previous fiscal year to 429,346 million yen. This is primarily due to increases in notes and accounts payable-trade by 5,882 million yen and in advances received by 21,503 million yen, which is included in "Others."

The balance of total net assets as of June 30, 2015 increased 2,547 million yen from the end of the previous fiscal year to 574,747 million yen. This is mainly because accumulated other comprehensive income increased 7,849 million yen due to increases in foreign currency translation adjustment caused by the depreciation of Japanese yen and in valuation difference on available-for-sale securities along with a rise in stock price, while retained earnings decreased 5,499 million yen due to a payment of cash dividends.

During the first quarter ended June 30, 2015, net cash provided by operating activities amounted to 34,042 million yen (net cash of 11,719 million yen was used in the same period previous year). This is mainly due to inflows from the post of 7,025 million yen of income before income taxes, a decrease in notes and accounts receivable-trade by 26,503 million yen, and an increase in advances received by 19,184 million, and an outflow from an increase in inventories by 19,510 million yen.

Net cash used in investing activities amounted to 64,727 million yen (net cash of 8,900 million yen was used in the same period previous fiscal year), primarily due to an expenditure of 43,562 million yen to acquire shares of Optos Plc and make it a wholly-owned subsidiary, and an outflow from an increase in time deposit over 3 months by 12,704 million yen.

Net cash used in financing activities amounted to 8,655 million yen (net cash of 17,914 million yen was used in the same period previous fiscal year). This is mainly because of a payment of cash dividends by 8,375 million yen.

(3) Qualitative Information regarding the Consolidated Financial Forecasts

As for the first half ending September 30, 2015 and the year ending March 31, 2016, although the capital investments in the semiconductor-related field remains uncertain in the Precision Equipment Business, recovery in capital investments for mid-to-small size displays and capital investments for large displays are estimated to be steady for the FPD-related field. In the Imaging Products Business, although the compact digital camera market continues to shrink, a decline of the Digital Camera—Interchangeable Lens Type market is predicted to slow down. In the Instruments Business, stable performances are expected for microscope-related field, mainly in Asia and the Americas, and capital investments are forecasted to be consistent in the industrial metrology-related field.

The consolidated financial forecasts for the first half ending September 30, 2015 and the year ending March 31, 2016 are as stated in the “Revision of the Financial Forecast for the Fiscal Year Ending March 31, 2016,” announced on the same date (August 6, 2015).

2. Notes Regarding Summary Information (Others)

(1) Changes in Significant Consolidated Subsidiaries

Not applicable

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

Not applicable

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2015	As of June 30, 2015
Assets		
Current assets		
Cash and deposits	262,501	238,421
Notes and accounts receivable-trade	131,554	110,897
Merchandise and finished goods	88,072	105,901
Work in process	121,929	128,134
Raw materials and supplies	29,980	30,132
Other	55,637	68,951
Allowance for doubtful accounts	(4,159)	(4,349)
Total current assets	685,516	678,089
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	53,094	52,250
Machinery, equipment and vehicles, net	48,072	46,648
Land	16,142	16,204
Construction in progress	4,393	4,702
Other, net	26,383	25,724
Total property, plant and equipment	148,085	145,531
Intangible assets		
Goodwill	3,076	38,656
Other	25,294	29,146
Total intangible assets	28,370	67,802
Investments and other assets		
Investment securities	80,860	84,011
Other	30,398	28,976
Allowance for doubtful accounts	(285)	(317)
Total investments and other assets	110,973	112,670
Total non-current assets	287,429	326,004
Total assets	972,945	1,004,094

(Millions of yen)

	As of March 31, 2015	As of June 30, 2015
Liabilities		
Current liabilities		
Notes and accounts payable-trade	113,724	119,607
Short-term loans payable	28,600	31,500
Current portion of bonds	—	10,000
Income taxes payable	5,038	4,835
Provision for product warranties	9,165	8,329
Other	130,737	152,245
Total current liabilities	287,265	326,517
Non-current liabilities		
Bonds payable	50,000	40,000
Long-term loans payable	34,600	31,700
Net defined benefit liability	8,477	8,173
Asset retirement obligations	3,623	3,677
Other	16,777	19,278
Total non-current liabilities	113,479	102,829
Total liabilities	400,744	429,346
Net assets		
Shareholders' equity		
Capital stock	65,475	65,475
Capital surplus	80,711	80,711
Retained earnings	378,515	373,016
Treasury stock	(12,412)	(12,282)
Total shareholders' equity	512,290	506,921
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,775	22,423
Deferred gains or losses on hedges	(1,200)	(130)
Foreign currency translation adjustment	40,517	45,687
Remeasurements of defined benefit plans	(1,821)	(1,859)
Total accumulated other comprehensive income	58,270	66,120
Subscription rights to shares	1,132	1,180
Non-controlling interests	507	525
Total net assets	572,200	574,747
Total liabilities and net assets	972,945	1,004,094

(2) Consolidated Statements of Income and Comprehensive Income

① Consolidated Statement of Income

Three months ended June 30, 2015

(Millions of yen)

	Three months ended June 30, 2014 (from April 1, 2014 to June 30, 2014)	Three months ended June 30, 2015 (from April 1, 2015 to June 30, 2015)
Net sales	177,444	182,240
Cost of sales	107,925	112,111
Gross profit	69,519	70,129
Selling, general and administrative expenses	66,014	66,201
Operating income	3,505	3,927
Non-operating income		
Interest income	333	392
Dividends income	613	653
Dividends income of life insurance	496	490
Equity in earnings of affiliates	404	585
Other	849	2,281
Total non-operating income	2,697	4,404
Non-operating expenses		
Interest expenses	391	315
Foreign exchange losses	690	569
Other	477	531
Total non-operating expenses	1,559	1,416
Ordinary income	4,642	6,916
Extraordinary income		
Gain on sales of non-current assets	20	8
Gain on sales of investment securities	18	102
Total extraordinary income	38	110
Extraordinary loss		
Loss on sales of noncurrent assets	0	1
Total extraordinary losses	0	1
Income before income taxes	4,680	7,025
Income taxes	989	3,687
Net income	3,691	3,338
Net income (loss) attributable to non-controlling interests	(6)	33
Net income attributable to owners of parent	3,697	3,304

② Consolidated Statement of Comprehensive Income
 Three months ended June 30, 2015

(Millions of yen)

	Three months ended June 30, 2014 (from April 1, 2014 to June 30, 2014)	Three months ended June 30, 2015 (from April 1, 2015 to June 30, 2015)
Net income	3,691	3,338
Other comprehensive income		
Valuation difference on available-for-sale securities	2,943	1,648
Deferred gains or losses on hedges	424	1,069
Foreign currency translation adjustment	(2,517)	5,177
Remeasurements of defined benefit plans	111	(38)
Share of other comprehensive income of associates accounted for using equity method	1	(0)
Total other comprehensive income	962	7,858
Comprehensive income	4,654	11,196
(Breakdown)		
Comprehensive income attributable to owners of parent	4,624	11,154
Comprehensive income attributable to non-controlling interests	30	42

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	Three months ended June 30, 2014 (from April 1, 2014 to June 30, 2014)	Three months ended June 30, 2015 (from April 1, 2015 to June 30, 2015)
Net cash provided by (used in) operating activities		
Income before income taxes	4,680	7,025
Depreciation and amortization	9,103	9,133
Increase (decrease) in allowance for doubtful accounts	(78)	(261)
Increase (decrease) in provision for product warranties	(2,148)	(890)
Increase (decrease) in net defined benefit liability	(979)	(500)
Interest and dividends income	(946)	(1,046)
Equity in (earnings) losses of affiliates	(404)	(585)
Interest expenses	391	315
Loss (gain) on sales of noncurrent assets	(19)	(7)
Loss (gain) on sales of investment securities	(18)	(102)
Decrease (increase) in notes and accounts receivable-trade	5,841	26,503
Decrease (increase) in inventories	(13,200)	(19,510)
Increase (decrease) in notes and accounts payable-trade	(1,133)	3,840
Increase (decrease) in advances received	2,816	19,184
Increase (decrease) in accrued expenses	(7,817)	(6,148)
Other, net	(2,193)	1,497
Subtotal	(6,108)	38,447
Interest and dividends income received	889	1,004
Interest expenses paid	(289)	(177)
Income taxes (paid) refund	(6,211)	(5,232)
Net cash provided by (used in) operating activities	(11,719)	34,042
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(7,987)	(4,812)
Proceeds from sales of property, plant and equipment	56	134
Purchase of investment securities	(0)	(650)
Proceeds from sales of investment securities	168	112
Purchase of ownership interests in subsidiaries with a change in consolidation scope	—	(43,562)
Net decrease (increase) in loans receivable	1	(80)
Other, net	(1,139)	(15,868)
Net cash provided by (used in) investing activities	(8,900)	(64,727)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	136	—
Redemption of bonds	(10,000)	—
Cash dividends paid	(7,690)	(8,375)
Cash dividends paid to non-controlling interests	(13)	(24)
Other, net	(346)	(256)
Net cash provided by (used in) financing activities	(17,914)	(8,655)
Effect of exchange rate change on cash and cash equivalents	(1,488)	2,697
Net increase (decrease) in cash and cash equivalents	(40,024)	(36,643)
Cash and cash equivalents at beginning of period	221,367	259,625
Increase in cash and cash equivalents from newly consolidated subsidiaries	2,652	—
Cash and cash equivalents at end of period	183,995	222,981

(4) Note regarding Going Concern Assumption

Not applicable

(5) Segment Information

1. Information on Sales and Profit (Loss) by Reportable Segment

For the Three months ended June 30, 2014 (From April 1, 2014 to June 30, 2014)

(Millions of yen)

	Reportable Segments				Other ¹	Total	Reconciliation ²	Consolidated Statement of Income ³
	Precision Equipment	Imaging Products	Instruments	Total				
Sales								
Outside customers	23,529	134,764	12,446	170,740	6,704	177,444	—	177,444
Intersegment sales or transfer	129	94	162	386	5,357	5,743	(5,743)	—
Total	23,659	134,859	12,608	171,126	12,061	183,188	(5,743)	177,444
Operating income (loss)	(2,586)	11,872	(1,727)	7,558	1,517	9,075	(5,570)	3,505

Notes: 1. The “Other” category is composed of operations not included in the reportable segments, such as the Glass-Related Business, the Customized Products Business, etc.

2. Reconciliation of segment profit (loss) includes elimination of intersegment transactions of 78 million yen and corporate expenses of minus 5,649 million yen.

3. Reconciliation is made between segment profit (loss) and operating income reported in the consolidated financial statements.

For the Three months ended June 30, 2015 (From April 1, 2015 to June 30, 2015)

(Millions of yen)

	Reportable Segments					Other ¹	Total	Reconciliation ²	Consolidated Statement of Income ³
	Precision Equipment	Imaging Products	Instruments	Medical	Total				
Sales									
Outside customers	24,553	137,115	14,075	—	175,744	6,495	182,240	—	182,240
Intersegment sales or transfer	90	103	201	—	395	4,901	5,297	(5,297)	—
Total	24,644	137,219	14,277	—	176,140	11,397	187,537	(5,297)	182,240
Operating income (loss)	(977)	13,457	(1,722)	(1,298)	9,459	620	10,079	(6,152)	3,927

Notes: 1. The “Other” category is composed of operations not included in the reportable segments, such as the Glass-Related Business, the Customized Products Business, etc.

2. Reconciliation of segment profit (loss) includes elimination of intersegment transactions of 89 million yen and corporate expenses of minus 6,242 million yen.

3. Reconciliation is made between segment profit (loss) and operating income reported in the consolidated financial statements.

2. Information on Changes in the Reportable Segments

From the first quarter ended June 30, 2015, the reportable segments are changed from prior "Precision Equipment," "Imaging Products," and "Instruments" to "Precision Equipment," "Imaging Products," "Instruments," and "Medical" by adding "Medical" segment.

Under the Midterm Management Plan, "Next 100 - Transform to Grow," announced in June, 2014, the Group added the Medical Business to its main operations and fully entered the business through an acquisition of Optos Plc in the first quarter ended June 30, 2015. Based on this situation, the Group came to a conclusion that it is reasonable to disclose "Medical" segment as a discrete reportable segment.

3. Information on Goodwill by Reportable Segment

(A Material Change in the Amount of Goodwill)

In the first quarter ended June 30, 2015, goodwill increased 288 million U.S. dollar (35,751 million yen) for "Medical" segment, due to the inclusion of Optos Plc to the Group's consolidation through an acquisition of its entire issued share capital.

In addition, the aforementioned amount of goodwill was computed tentatively based on rational information currently available, as an allocation of the acquisition cost has not been completed yet in the first quarter ended June 30, 2015.

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

Not applicable

(7) Business Combinations and Others
(Business Combination by Acquisition)

1. Summary of Business Combination

1) Name and Business of Acquired Company

Name of Company : Optos Plc
Description of Business : Provider of retinal diagnostic imaging equipment to optometrists and ophthalmologists

2) Primary Reason for Business Combination

Through this business combination, the Group will make a full-scale entry into the Medical Business based on the strong business foundation in retinal diagnostic imaging equipment held by Optos Plc. Moreover, the Group will expand its earning foundation with the synergy generated from improving the technical superiority of products in the diagnosis and treatment fields by promoting product development through integration of its technology with Optos Plc's, and gaining a geographical advantage.

3) Date of Business Combination

May 22, 2015

4) Legal Form of Business Combination

Acquisition of shares

5) Name of Company after Acquisition

Optos Plc

6) Percentage of Voting Rights Acquired

100%

7) Primary Basis for Determination of Acquiring Company

Nikon Corporation paid cash in consideration for acquiring 100% of the voting rights of Optos Plc.

2. The Accounting Period which Financial Results of the Acquired Company were included in the Consolidated Statement of Income for the First Quarter Ended June 30, 2015

Financial results of the acquired company were not included in the Consolidated Statement of Income for the first quarter ended June 30, 2015, because the date of acquisition was deemed as of June 30, 2015.

3. Acquisition Cost and Breakdown by the Type of Considerations

Consideration for the Acquisition	Cash	48,128 million yen
Acquisition Cost		48,128 million yen

4. Amount, Reason for Recognition, Amortization Method and Period of Goodwill

1) The Amount of Goodwill Recognized

288 million U.S. dollar (35,751 million yen)

The amount of goodwill was computed tentatively, as an allocation of acquisition costs has not been completed yet.

2) A Reason for Recognition of Goodwill

Excess amount from which the acquisition cost exceeded the assets acquired and liabilities taken over is recognized as goodwill.

3) The Method and Period of Amortization

The goodwill is amortized by straight-line method over the period to be determined henceforth. The period of amortization will be determined based on the results of an allocation of the acquisition cost.