

February 4, 2016

Consolidated Financial Results of the Third Quarter ended December 31, 2015 (Japanese Standards)

Company name: NIKON CORPORATION

Code number: 7731; Stock listing: 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 Third Quarter ended December 31, 2015 (From April 1, 2015 to December 31, 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	%
Nine months ended December 31, 2015	617,390	(0.1)	29,029	8.6	35,224	26.5	21,461	28.3
Nine months ended December 31, 2014	617,819	(15.7)	26,727	(32.1)	27,843	(26.1)	16,732	(55.4)

(Note) Comprehensive Income: Nine months ended December 31, 2015: 11,591 million yen; (77.6) %
 Nine months ended December 31, 2014: 51,813 million yen; (20.3) %

	Net Income per Share of Common Stock	Net Income per Share of Common Stock after Dilution
	Yen	Yen
Nine months ended December 31, 2015	54.13	54.01
Nine months ended December 31, 2014	42.18	42.10

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
Third quarter ended December 31, 2015	1,031,801	571,015	55.2
Year ended March 31, 2015	972,945	572,200	58.6

(Reference) Equity: Third quarter ended December 31, 2015: 569,198 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	—	8.00	—		
Year ending March 31, 2016 (Planned)				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
Full year	835,000	(2.7)	34,000	(21.7)	41,000	(11.6)	22,000	19.8	55.49

(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 a presence or absence of a specific subsidiary, which brings a change to the 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):

Third quarter ended December 31, 2015 400,878,921 shares

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

2) Number of treasury stock as of the term-end:

Third quarter ended December 31, 2015 4,687,241 shares

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

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

Third quarter ended December 31, 2015 396,481,125 shares

Third quarter ended December 31, 2014 396,688,764 shares

(Note) The Company introduced BIP trust with respect to its executive compensation; the Company's stocks that the pertinent trust possesses are included in the number of treasury stock.

(※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 nine months ended December 31, 2015, in the Precision Equipment Business, capital investments to the Semiconductor Lithography System slowed down. In the Flat Panel Display (hereafter "FPD")-related field, capital investments for both large panels and mid-to-small size panels recovered, and the market was firm. In the Imaging Products Business, the Digital camera—Interchangeable Lens Type market and the compact digital camera market remained sluggish. In the Instruments Business, although public spending in Japan contracted in the microscope-related field, in the industrial metrology-related field, capital investments in regard to semiconductors and electronic components increased and also stayed firm in the automobile-related field.

Under these circumstances, net sales for the nine months ended December 31, 2015 decreased by 428 million yen (0.1%) year on year to 617,390 million yen, operating income increased by 2,301 million yen (8.6%) year on year to 29,029 million yen, ordinary income was up by 7,380 million yen (26.5%) year on year to 35,224 million yen, resulting in net income attributable to owners of parent of 21,461 million yen, an increase of 4,729 million yen (28.3%) year on year.

Performance by business segment is as follows.

In the Precision Equipment Business, the Group continued focusing on expanding its share in the Semiconductor Lithography System field, endeavoring to improve profit by strengthening sales of used equipment and service sales. In the FPD Lithography System field, with steady capital investments by manufacturers, sales volume of equipment, especially for high-definition, mid-to-small size panels, showed a significant increase compared with the previous year. Under these circumstances, overall profit of this business segment improved year on year.

In the Imaging Products Business, with respect to compact digital cameras, high value-added products such as high-magnification models recorded strong sales and expanded their shares amid the continued shrinkage of the market. Sales volume of the Digital camera—Interchangeable Lens Type fell due to the impact of the shrinking market, and year-end holiday season sales decreased year on year in the US and Europe, while sales of high-end models were firm in China. Consequently, overall revenue and profit of this business segment both declined year on year.

In the Instruments Business, although the microscope-related field was affected by the reduction in the public spending in Japan, sales increased due to the favorable turn for sales in the US and the expansion of share in China. In the industrial metrology-related field, sales rose due to an increase in sales volume of semiconductor inspection equipment stemming from a boost in capital investments related to semiconductors and electronic components, as well as firm capital investments in the automobile-related field. As a result, overall profit of this business segment improved year on year.

In the Medical Business, retinal diagnostic imaging equipment of UK-based Optos Plc is showing a strong performance mainly in the US, Asia, and Oceania.

(2) Qualitative Information on Consolidated Financial Position

The balance of total assets as of December 31, 2015 increased 58,855 million yen from the end of the previous fiscal year to 1,031,801 million yen. This is mainly due to an increase in inventories by 29,337 million yen; and an increase in intangible assets by 41,651 million yen principally through the business combination with Optos Plc as making it a wholly-owned subsidiary; despite a decrease in cash and deposits by 10,921 million yen due to a payment to acquire shares of Optos Plc.

The balance of total liabilities as of December 31, 2015 increased 60,041 million yen from the end of the previous fiscal year to 460,786 million yen. This is primarily attributable to an increase in notes and accounts payable-trade by 11,116 million yen; and an increase in advances received by 44,239 million yen, which is included in "Other" of current liabilities.

The balance of total net assets as of December 31, 2015 decreased 1,185 million yen from the end of the previous fiscal year to 571,015 million yen. This is mainly because of a decrease in the foreign currency translation adjustment by 9,954 million yen, as the value of Japanese yen increased mainly against the currencies of emerging economies; and a decrease in valuation difference on available-for-sale securities by 1,501 million yen; in spite of an increase in retained earnings by 9,484 million yen mainly as a result of posting net income attributable to owners of parent.

During the nine months ended December 31, 2015, net cash provided by operating activities amounted to 83,028 million yen (net cash of 38,313 million yen was provided in the same period last year). This is mainly due to inflows from posting 34,704 million yen of income before income taxes; from an increase in notes and accounts payable-trade by 10,437 million yen; from an increase in advances received by 42,399 million yen; and an outflow from an increase in inventories by 29,500 million yen.

Net cash used in investing activities amounted to 88,630 million yen (net cash of 23,896 million yen was used in the same period last year) primarily attributable to an expenditure of 16,701 million yen for purchase of property, plant and equipment; a payment of 43,562 million yen, which was associated with the acquisition of shares of Optos Plc at the time of making it a wholly-owned subsidiary; and an outflow from an increase in time deposit over 3 months by 16,950 million yen.

Net cash used in financing activities amounted to 14,858 million yen (net cash of 24,149 million yen was used in the same period last year). This is mainly because of a payment of cash dividends by 11,789 million yen.

(3) Qualitative Information regarding the Consolidated Financial Forecasts

As for the full year performance forecasts, in the Precision Equipment Business, capital investments to the Semiconductor Lithography System are expected to slow down, and strong capital investments are projected in the FPD-related field. In the Imaging Products Business, the Digital camera—Interchangeable Lens Type market and the compact digital camera market are both expected to shrink continuously. In the Instruments Business, stable performances are anticipated for the microscope-related field in the US market, and continuous expansion of shares is expected in China. Firm capital investments are expected to continue in the entire industrial metrology-related field.

As for the full year consolidated financial forecasts, the forecasts announced on November 6, 2015 have been revised as follows, since net sales are expected to fall below the projection primarily due to a decline in the number of sales of Semiconductor Lithography System in the Precision Equipment Business, a decrease in demand of the Digital camera—Interchangeable Lens Type and Interchangeable lens, and the postponement of the release of some new products in the Imaging Products Business.

As for income, although net sales have been revised downward, the previous forecast remained unchanged due to the factors such as improvement of product mix and cost restraint in the Imaging Products Business.

Revision of Consolidated Financial Forecasts for the Year Ending March 31, 2016 (From April 1, 2015 to March 31, 2016)

	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
Previous Forecast (A)	855,000	34,000	41,000	22,000	55.47
Revised Forecast (B)	835,000	34,000	41,000	22,000	55.49
Change (B-A)	(20,000)	—	—	—	—
Change (%)	(2.3)	—	—	—	—

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 December 31, 2015
Assets		
Current assets		
Cash and deposits	262,501	251,580
Notes and accounts receivable-trade	131,554	127,060
Merchandise and finished goods	88,072	112,081
Work in process	121,929	129,156
Raw materials and supplies	29,980	28,082
Other	55,637	67,698
Allowance for doubtful accounts	(4,159)	(3,562)
Total current assets	685,516	712,097
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	53,094	49,747
Machinery, equipment and vehicles, net	48,072	40,837
Land	16,142	16,088
Construction in progress	4,393	5,512
Other, net	26,383	23,779
Total property, plant and equipment	148,085	135,964
Intangible assets		
Goodwill	3,076	23,318
Other	25,294	46,703
Total intangible assets	28,370	70,022
Investments and other assets		
Investment securities	80,860	84,931
Other	30,398	29,079
Allowance for doubtful accounts	(285)	(294)
Total investments and other assets	110,973	113,716
Total non-current assets	287,429	319,703
Total assets	972,945	1,031,801

(Millions of yen)

	As of March 31, 2015	As of December 31, 2015
Liabilities		
Current liabilities		
Notes and accounts payable-trade	113,724	124,840
Short-term loans payable	28,600	31,500
Current portion of bonds	—	10,000
Income taxes payable	5,038	7,639
Provision for product warranties	9,165	7,794
Other	130,737	171,415
Total current liabilities	287,265	353,191
Non-current liabilities		
Bonds payable	50,000	40,000
Long-term loans payable	34,600	31,700
Net defined benefit liability	8,477	8,479
Asset retirement obligations	3,623	3,677
Other	16,777	23,737
Total non-current liabilities	113,479	107,594
Total liabilities	400,744	460,786
Net assets		
Shareholders' equity		
Capital stock	65,475	65,475
Capital surplus	80,711	80,624
Retained earnings	378,515	387,999
Treasury stock	(12,412)	(13,254)
Total shareholders' equity	512,290	520,845
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,775	19,273
Deferred gains or losses on hedges	(1,200)	(38)
Foreign currency translation adjustment	40,517	30,563
Remeasurements of defined benefit plans	(1,821)	(1,445)
Total accumulated other comprehensive income	58,270	48,353
Subscription rights to shares	1,132	1,285
Non-controlling interests	507	530
Total net assets	572,200	571,015
Total liabilities and net assets	972,945	1,031,801

(2) Consolidated Statements of Income and Comprehensive Income

① Consolidated Statement of Income

Nine months ended December 31, 2015

(Millions of yen)

	Nine months ended December 31, 2014 (from April 1, 2014 to December 31, 2014)	Nine months ended December 31, 2015 (from April 1, 2015 to December 31, 2015)
Net sales	617,819	617,390
Cost of sales	380,588	377,995
Gross profit	237,231	239,395
Selling, general and administrative expenses	210,504	210,366
Operating income	26,727	29,029
Non-operating income		
Interest income	976	1,457
Dividends income	1,106	1,167
Equity in earnings of affiliates	1,037	1,180
Other	3,038	5,270
Total non-operating income	6,158	9,076
Non-operating expenses		
Interest expenses	1,072	1,021
Foreign exchange losses	2,096	176
Other	1,874	1,682
Total non-operating expenses	5,042	2,881
Ordinary income	27,843	35,224
Extraordinary income		
Gain on sales of non-current assets	69	51
Gain on sales of investment securities	127	514
Total extraordinary income	197	566
Extraordinary loss		
Loss on sales of noncurrent assets	58	65
Impairment loss	338	1,021
Loss on evaluation of investment securities	0	—
Total extraordinary losses	397	1,086
Income before income taxes	27,643	34,704
Income taxes	10,849	13,174
Net income	16,794	21,530
Net income attributable to non-controlling interests	61	68
Net income attributable to owners of parent	16,732	21,461

②Consolidated Statement of Comprehensive Income
Nine months ended December 31, 2015

(Millions of yen)

	Nine months ended December 31, 2014 (from April 1, 2014 to December 31, 2014)	Nine months ended December 31, 2015 (from April 1, 2015 to December 31, 2015)
Net income	16,794	21,530
Other comprehensive income		
Valuation difference on available-for-sale securities	7,217	(1,501)
Deferred gains or losses on hedges	(366)	1,162
Foreign currency translation adjustment	28,138	(9,975)
Remeasurements of defined benefit plans	28	375
Share of other comprehensive income of associates accounted for using equity method	0	(0)
Total other comprehensive income	35,019	(9,938)
Comprehensive income	51,813	11,591
(Breakdown)		
Comprehensive income attributable to owners of parent	51,645	11,544
Comprehensive income attributable to non-controlling interests	168	47

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2014 (from April 1, 2014 to December 31, 2014)	Nine months ended December 31, 2015 (from April 1, 2015 to December 31, 2015)
Net cash provided by (used in) operating activities		
Income before income taxes	27,643	34,704
Depreciation and amortization	28,234	28,288
Impairment loss	338	1,021
Increase (decrease) in allowance for doubtful accounts	135	(501)
Increase (decrease) in provision for product warranties	(1,635)	(1,440)
Increase (decrease) in net defined benefit liability	(1,215)	101
Interest and dividends income	(2,083)	(2,625)
Equity in (earnings) losses of affiliates	(1,037)	(1,180)
Interest expenses	1,072	1,021
Loss (gain) on sales of noncurrent assets	(10)	13
Loss (gain) on sales of investment securities	(127)	(514)
Loss (gain) on evaluation of investment securities	0	—
Decrease (increase) in notes and accounts receivable-trade	(7,608)	6,937
Decrease (increase) in inventories	(14,016)	(29,500)
Increase (decrease) in notes and accounts payable-trade	14,946	10,437
Increase (decrease) in advances received	2,781	42,399
Increase (decrease) in accrued expenses	4,018	(1,007)
Other, net	(5,023)	4,719
Subtotal	46,414	92,874
Interest and dividends income received	2,464	2,901
Interest expenses paid	(985)	(889)
Income taxes (paid) refund	(9,578)	(11,857)
Net cash provided by (used in) operating activities	38,313	83,028
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(16,754)	(16,701)
Proceeds from sales of property, plant and equipment	187	238
Purchase of investment securities	(355)	(5,255)
Proceeds from sales of investment securities	662	641
Purchase of ownership interests in subsidiaries with a change in consolidation scope	—	(43,562)
Net decrease (increase) in loans receivable	8	(162)
Other, net	(7,645)	(23,829)
Net cash provided by (used in) investing activities	(23,896)	(88,630)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(896)	(0)
Redemption of bonds	(10,000)	—
Cash dividends paid	(12,190)	(11,789)
Cash dividends paid to non-controlling interests	(35)	(24)
Other, net	(1,027)	(3,044)
Net cash provided by (used in) financing activities	(24,149)	(14,858)
Effect of exchange rate change on cash and cash equivalents	17,874	(5,635)
Net increase (decrease) in cash and cash equivalents	8,141	(26,095)
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	232,161	233,529

(4) Note regarding Going Concern Assumption
Not applicable

(5) Segment Information

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

For the nine months ended December 31, 2014 (From April 1, 2014 to December 31, 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	89,271	461,022	45,907	596,202	21,617	617,819	—	617,819
Intersegment sales or transfer	308	317	542	1,167	15,483	16,651	(16,651)	—
Total	89,580	461,339	46,449	597,369	37,101	634,471	(16,651)	617,819
Operating income (loss)	(2,769)	47,566	(2,698)	42,098	4,730	46,828	(20,101)	26,727

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 235 million yen and corporate expenses of minus 20,336 million yen.

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

For the nine months ended December 31, 2015 (From April 1, 2015 to December 31, 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	114,356	423,009	52,586	10,409	600,360	17,030	617,390	—	617,390
Intersegment sales or transfer	235	336	781	—	1,352	15,474	16,827	(16,827)	—
Total	114,591	423,345	53,367	10,409	601,713	32,504	634,218	(16,827)	617,390
Operating income (loss)	7,309	42,613	(192)	(3,981)	45,748	2,394	48,143	(19,114)	29,029

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 381 million yen and corporate expenses of minus 19,495 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 were 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.

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

Not applicable