

CONSOLIDATED STATEMENTS OF CASH FLOWS

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note1)
	2006	2005	2006
Operating activities:			
Income before income taxes and minority interest	¥ 40,925	¥ 33,443	\$ 348,389
Adjustments for:			
Income taxes-paid	(20,512)	(5,321)	(174,614)
Loss on impairment of fixed assets	245		2,090
Depreciation and amortization	20,670	19,626	175,964
Provision for employees' retirement benefits	(1,696)	(2,359)	(14,437)
Provision for retirement allowance for directors and corporate auditors	(696)	1,035	(5,928)
Loss on sales or disposal of property, plant and equipment	1,932	2,235	16,443
Gain on sales of property, plant and equipment	(116)	(6,063)	(985)
Loss on sales of investment securities		11	
Gain on sales of investment securities	(1,896)	(438)	(16,139)
Other-net	841	1,830	7,156
Change in assets and liabilities:			
Increase in notes and accounts receivable-trade	(8,838)	(1,382)	(75,240)
Decrease (increase) in inventories	12,299	(3,664)	104,697
Increase (decrease) in notes and accounts payable-trade	15,651	(7,137)	133,234
Other-net	4,935	15,313	42,011
Total adjustments	22,819	13,686	194,252
Net cash provided by operating activities	63,744	47,129	542,641
Investing activities:			
Capital expenditures	(19,977)	(19,102)	(170,060)
Proceeds from sales of property, plant and equipment	2,446	6,375	20,824
Purchases of investment securities	(839)	(518)	(7,139)
Proceeds from sales of investment securities	1,589	2,368	13,528
Net decrease in loans receivable	151	358	1,284
Other-net	(5,797)	(24)	(49,357)
Net cash used in investing activities	(22,427)	(10,543)	(190,920)
Financing activities:			
Net decrease in short-term borrowings	(26,033)	(6,723)	(221,614)
Proceeds from long-term debt	16,689	2,448	142,073
Repayments of long-term debt	(8,050)	(24,400)	(68,529)
Dividends paid	(2,944)	(2,951)	(25,065)
Other-net	(177)	(160)	(1,510)
Net cash used in financing activities	(20,515)	(31,786)	(174,645)
Foreign currency translation adjustments on cash and cash equivalents	2,163	498	18,414
Net increase in cash and cash equivalents	22,965	5,298	195,490
Cash and cash equivalents of newly consolidated subsidiaries, beginning of year		196	
Cash and cash equivalents of eliminated consolidated subsidiary, beginning of year		(86)	
Cash and cash equivalents, beginning of year	21,507	16,099	183,089
Cash and cash equivalents, end of year	¥ 44,472	¥ 21,507	\$ 378,579

See Notes to Consolidated Financial Statements.