

FIVE-YEAR SUMMARY

Nikon Corporation and Consolidated Subsidiaries Years ended March 31

	Millions of Yen					Thousands of U.S. Dollars
	2007	2006	2005	2004	2003	2007
For the year						
Net sales	¥ 822,813	¥ 730,944	¥ 638,468	¥ 506,378	¥ 468,959	\$ 6,970,042
Cost of sales	494,663	468,944	429,143	346,898	307,503	4,190,287
SG&A expenses	226,143	195,413	178,780	155,805	157,269	1,915,658
Operating income	102,007	66,587	30,545	3,675	4,187	864,097
Income (loss) before income taxes and minority interest	87,813	40,925	33,443	9,490	(11,128)	743,860
Net income (loss)	54,825	28,945	24,141	2,410	(8,143)	464,421
Per share of common stock (Yen and U.S. Dollars):						
Net income (loss)	¥ 146.36	¥ 78.16	¥ 65.19	¥ 6.52	¥ (22.03)	\$ 1.24
Diluted net income	131.42	69.33	57.84	6.02		1.11
Cash dividends applicable to the year	18.00	10.00	8.00	4.00		0.15
Capital expenditures	¥ 30,432	¥ 25,817	¥ 22,459	¥ 22,267	¥ 20,226	\$ 257,786
Depreciation and amortization	22,625	20,760	19,705	20,213	20,435	191,657
R&D costs	47,218	37,139	33,561	30,165	27,506	399,981
At year-end						
Total assets	¥ 748,939	¥ 690,920	¥ 633,426	¥ 606,513	¥ 576,912	\$ 6,344,253
Equity	348,445	243,122	196,030	171,194	162,464	2,951,671

- Notes: 1. Per share of common stock is computed based on the weighted average number of shares outstanding during the year.
2. U.S. dollar figures are translated for reference only at ¥118.05 to U.S. \$1.00, the exchange rate at March 31, 2007.
3. Diluted net income per share for the year ended March 31, 2003 is not disclosed because of the Company's net loss position.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

OPERATING ENVIRONMENT

In the fiscal year ended March 31, 2007, growth in the U.S. economy remained on par with the previous year due to robust consumer spending and capital investment, offsetting a decline in housing investment. The European economy continued to expand moderately owing to an increase in domestic demand, while high growth persisted in the Asian economy, led by China and India.

With regard to Nikon Group business segments, vigorous capital investment in the semiconductor and LCD markets resulted in steady performance in Precision Equipment and Instruments. In Imaging Products, the digital camera market continued to expand.

Net Sales by Industry Segment

Years ended March 31, 2007 and 2006

	Millions of Yen, %		Thousands of U.S. Dollars
	2007	2006	2007
Precision Equipment	¥ 292,562	¥ 243,207	\$ 2,478,291
Share of net sales	35.6%	33.3%	
Imaging Products	449,790	416,607	3,810,165
Share of net sales	54.7	57.0	
Instruments	61,171	54,875	518,178
Share of net sales	7.4	7.5	
Other	57,244	49,832	484,917
Share of net sales	7.0	6.8	
Total	¥ 860,767	¥ 764,521	\$ 7,291,551
(Elimination)	(37,954)	(33,577)	(321,509)
	(4.7)	(4.6)	
Consolidated	¥ 822,813	¥ 730,944	\$ 6,970,042

OPERATIONAL REVIEW AND ANALYSIS

During the year, the Nikon Group worked aggressively to implement key strategies in its three-year medium term management plan announced in March 2006 that will run until March 31, 2009. Specific initiatives included: strengthening competitiveness in core businesses, particularly by securing market share in cutting-edge models and developing high-value-added products; boosting cost competitiveness through hard-hitting measures to bolster manufacturing; and creating and fostering new businesses, beginning with the glass business. Attention was also given to promoting CSR-oriented management, such as enhancing the internal auditing system, and to further improving financial structure. As a result of these efforts, consolidated net sales totaled ¥822,813 million, up ¥91,869 million, or 12.6%, relative to the previous year, and consolidated net income amounted to ¥54,825 million. Both of these results marked new record highs for the Group.

Breaking down the results by business segment, the Precision Equipment Business posted ¥291,913 million in net sales, a year-on-year increase of 20.5%, and considerable growth in operating income to ¥49,321 million. In IC steppers, the Group not only strove to expand sales of existing products, but sales of state-of-the-art immersion lithography products were strong. Sales of 7th and 8th generation LCD steppers increased as Nikon made effective use of its outstanding technological expertise.

The Imaging Products Business recorded net sales of ¥448,825 million, up 8.0%, and a substantial increase in operating income to ¥45,678 million. Sales of digital SLR cameras were brisk, due in part to the release of the D80, which realizes excellent image quality as a mid-range camera, compact design and ease-of-use. Amid intensifying competition in the compact digital camera market, Nikon strove to expand sales through the proactive launch of new products in its COOLPIX line.

The Instruments Business registered net sales of ¥59,252 million, up 11.2%, and operating income of ¥5,123 million. These results were due to efforts to raise sales of new products and to strong sales in the NEXIV line of CNC video measuring systems.

Breaking down results by geographic segment, sales increased in Japan due to overall sales growth of LCD exposure systems in Precision Equipment, despite a year-on-year decline in IC steppers, while the proportion of state-of-the-art systems was increased. Additionally, in Imaging Products, sales of digital SLR cameras and replacement lenses were robust. Overall sales in Japan were up 22.8% relative to the previous year to ¥337,455 million and operating income totaled ¥84,786 million.

Overseas, sales in North America dipped by 0.3% to ¥216,113 million and operating income was ¥6,688 million. Sales in Precision Equipment were down due to a decline in sales volume of IC steppers compared with the previous year. In Imaging Products, sales of digital SLR cameras were firm.

In Europe, sales of digital SLR cameras grew, while results were buoyed by the strong Euro. The region recorded net sales of ¥177,386 million, up 6.4%, and operating income of ¥5,261 million.

In Asia, sales increased in Precision Equipment due to higher component sales as well as in Imaging Products due to solid performances in digital SLR cameras and digital compact cameras. Regional sales climbed 26.8% to ¥91,859 million and operating income amounted to ¥4,691 million.

Income Analysis

Years ended March 31, 2007 and 2006

	(% of Net Sales)	
	2007	2006
Net sales	100.0%	100.0%
Cost of sales	(60.1)	(64.2)
Gross profit	39.9	35.8
SG&A expenses	(27.5)	(26.7)
Operating income	12.4	9.1
Net interest expense and dividend income	0.0	0.0
Net other expenses	(1.7)	(3.5)
Income before income taxes and minority interest	10.7	5.6
Income taxes	(4.0)	(1.6)
Minority interest	0.0	0.0
Net income	<u>6.7</u>	<u>4.0</u>

Note: All expenses and subtractive amounts are in parentheses.

Balance Sheet Analysis

March 31, 2007 and 2006

	(% of Total Assets)	
	2007	2006
Total assets	100.0%	100.0%
Total current assets	69.9	67.9
Inventories	32.9	34.6
Property, plant and equipment	15.5	16.0
Investments and other assets	14.6	16.1
Total current liabilities	41.3	48.5
Short-term borrowings	2.1	1.8
Long-term debt, less current portion	9.1	12.8
Equity	46.5	35.2

FINANCIAL REVIEW AND ANALYSIS

At fiscal year-end, total assets stood at ¥748,939 million, up ¥58,019 million, or 8.4%, relative to the previous fiscal year-end. This increase primarily reflected higher levels of cash and cash equivalents and accounts receivable. Current assets totaled ¥523,198 million, up 11.5%.

Liabilities decreased by ¥47,122 million owing primarily to a decline in corporate bonds with redemption due within one year in line with the exercise of stock acquisition rights.

Net income at year-end stood at ¥54,825 million and equity posted a net increase of ¥105,323 million.

In terms of cash flows, cash and cash equivalents at year-end amounted to ¥83,849 million. Net cash provided by operating activities totaled ¥83,201 million, mainly on account of a high level of income before income taxes, which outweighed a decrease in notes and accounts payable. Net cash used in investing activities amounted to ¥21,898 million, reflecting primarily an increase in payments for purchases of tangible fixed assets. Net cash used in financing activities totaled ¥23,673 million due mainly to payments for the redemption of corporate bonds.

Net Sales	¥ Million
07	822,813
06	730,944
05	638,468
04	506,378
03	468,959

Operating Income	¥ Million
07	102,007
06	66,587
05	30,545
04	3,675
03	4,187

Net Income (Loss)	¥ Million
07	54,825
06	28,945
05	24,141
04	2,410
03	(8,143)

Net Income (Loss) Per Share	¥
07	146.36
06	78.16
05	65.19
04	6.52
03	(22.03)

Diluted Net Income Per Share	¥
07	131.42
06	69.33
05	57.84
04	6.02
03	

Capital Expenditures	¥ Million
07	30,432
06	25,817
05	22,459
04	22,267
03	20,226

R&D Costs	¥ Million
07	47,218
06	37,139
05	33,561
04	30,165
03	27,506

Equity	¥ Million
07	348,445
06	243,122
05	196,030
04	171,194
03	162,464

Return on Equity	%
07	18.5
06	13.2
05	13.1
04	1.4
03	(4.8)