

CONSOLIDATED STATEMENTS OF CASH FLOWS

Nikon Corporation and Consolidated Subsidiaries Years ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note1)
	2007	2006	2007
Operating activities:			
Income before income taxes and minority interests	¥ 87,813	¥ 40,925	\$ 743,860
Adjustments for:			
Income taxes-paid	(15,066)	(20,512)	(127,628)
Loss on impairment of fixed assets	589	245	4,988
Depreciation and amortization	22,536	20,670	190,899
Provision for employees' retirement benefits	(4,190)	(1,696)	(35,491)
Provision for retirement allowance for directors and corporate auditors	117	(696)	988
Loss on sales or disposal of property, plant and equipment	808	1,932	6,842
Gain on sales of property, plant and equipment	(825)	(116)	(6,990)
Gain on sales of investment securities	(24)	(1,896)	(202)
Other-net	320	841	2,709
Change in assets and liabilities:			
Increase in notes and accounts receivable-trade	(6,298)	(8,838)	(53,348)
Decrease (increase) in inventories	(1,491)	12,299	(12,631)
Increase (decrease) in notes and accounts payable-trade	(10,543)	15,651	(89,309)
Other-net	9,455	4,935	80,107
Total adjustments	(4,612)	22,819	(39,066)
Net cash provided by operating activities	<u>83,201</u>	<u>63,744</u>	<u>704,794</u>
Investing activities:			
Purchases of property, plant and equipment	(21,516)	(19,977)	(182,265)
Proceeds from sales of property, plant and equipment	1,818	2,446	15,402
Purchases of investment securities	(914)	(839)	(7,743)
Proceeds from sales of investment securities	3,599	1,589	30,486
Net decrease (increase) in loans receivable	(27)	151	(225)
Other-net	(4,858)	(5,797)	(41,157)
Net cash used in investing activities	<u>(21,898)</u>	<u>(22,427)</u>	<u>(185,502)</u>
Financing activities:			
Net increase (decrease) in short-term borrowings	2,219	(26,033)	18,799
Proceeds from long-term debt	4,896	16,689	41,476
Repayments of long-term debt	(25,842)	(8,050)	(218,910)
Dividends paid	(4,613)	(2,944)	(39,074)
Other-net	(333)	(177)	(2,826)
Net cash used in financing activities	<u>(23,673)</u>	<u>(20,515)</u>	<u>(200,535)</u>
Foreign currency translation adjustments on cash and cash equivalents	1,234	2,163	10,458
Net increase in cash and cash equivalents	38,864	22,965	329,215
Cash and cash equivalents of newly consolidated subsidiaries, beginning of year	513		4,347
Cash and cash equivalents, beginning of year	44,472	21,507	376,719
Cash and cash equivalents, end of year	<u>¥ 83,849</u>	<u>¥ 44,472</u>	<u>\$ 710,281</u>
Non-cash investing and financing activities:			
Convertible bonds converted into common stock	¥ 28,015	¥	\$ 237,315
Convertible bonds converted into capital surplus	27,985		237,060

See Notes to Consolidated Financial Statements.