

FIVE-YEAR SUMMARY

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of Yen					Thousand of U.S. Dollars
	2009	2008	2007	2006	2005	2009
For the year						
Net sales	¥879,719	¥955,792	¥822,813	¥730,944	¥638,468	\$8,955,707
Cost of sales	561,642	551,551	494,663	468,944	429,143	5,717,626
SG&A expenses	269,892	269,072	226,143	195,413	178,780	2,747,551
Operating income	48,185	135,169	102,007	66,587	30,545	490,530
Income before income taxes and minority interests	39,180	116,704	87,813	40,925	33,443	398,861
Net income	28,056	75,484	54,825	28,945	24,141	285,615
Per share of common stock (Yen and U.S. dollars):						
Basic net income	¥ 70.76	¥ 189.00	¥ 146.36	¥ 78.16	¥ 65.19	\$ 0.72
Diluted net income	67.91	181.23	131.42	69.33	57.84	0.69
Cash dividends applicable to the year	18.00	25.00	18.00	10.00	8.00	0.18
Capital expenditures	¥ 43,467	¥ 39,829	¥ 30,432	¥ 25,817	¥ 22,459	\$ 442,506
Depreciation and amortization	32,910	25,678	22,625	20,760	19,705	335,030
R&D costs	61,489	58,373	47,218	37,139	33,561	625,971
At year-end						
Total assets	¥749,805	¥820,622	¥748,939	¥690,920	¥633,426	\$7,633,159
Total equity	379,087	393,126	348,445	243,122	196,030	3,859,177

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 ¥98.23 to U.S. \$1.00, the exchange rate at March 31, 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Nikon Corporation and Consolidated Subsidiaries
For the year ended March 31, 2009

Business Environment

During the consolidated fiscal year ended March 31, 2009, the global economy held firm overall in the first half, supported mostly by growth in Asian economies despite a continued slowdown in Western nations from the very beginning of the period. In the second half, however, financial anxiety spread, sparked by the collapse of a major U.S. financial institution, leading to a global consumption slump, investment freeze, and plunge in stock prices.

Reviewing the business segments of the Nikon Group under these conditions, the semiconductor-related market contracted sharply with the large reduction in capital expenditure from the drop in global demand for semiconductor devices. In the liquid crystal panel-related business, while investment was lively in the first half the market conditions worsened dramatically thereafter because of the abrupt slowdown in demand for large-scale panels for flat-screen TVs since last summer. The digital camera market environment also deteriorated suddenly from the second half due to stagnant personal consumption caused by the worsening of business conditions amid the financial crisis that originated from the United States. Nevertheless, digital camera revenues posted continued growth for the full year as a result of the brisk activity during the first half. The bioscience field remained firm, mainly in areas working with live cells. The industrial instruments field was impacted strongly by cutbacks in capital expenditures as the semiconductor, electronic component and automotive-related markets remained dull.

Financial Performance

The Nikon Group established a Management Reform Committee to address the changes in the business environment amid these harsh economic conditions, and promptly implemented various measures throughout the Nikon Group under the committee's direction. As a result of these developments, net sales for the consolidated fiscal year decreased by ¥76,073 million (8.0%) from the previous year to ¥879,719 million, operating income declined ¥86,984 million (64.4%) to ¥48,185 million, net income fell ¥47,428 million

Income Analysis Years ended March 31, 2009 and 2008

	% of Net Sales	
	2009	2008
Net sales	100.0%	100.0%
Cost of sales	(63.8)	(57.7)
Gross profit	36.2	42.3
SG&A expenses	(30.7)	(28.2)
Operating income	5.5	14.1
Net interest expense and dividend income	0.1	0.2
Net other expenses	(1.1)	(2.1)
Income before income taxes and minority interest	4.5	12.2
Income taxes	(1.3)	(4.3)
Net income	3.2	7.9

Note: All expenses and subtractive amounts are in parentheses.

(62.8%) to ¥28,056 million, and net income per share was down 62.6% to ¥70.76.

Performance by Business Segment

In the Precision Equipment Business, in IC steppers and scanners efforts were made to promote the sales of cutting-edge models such as the NSR-S610C immersion scanner (the world's first mass production model with a node of 45 nm or less). In LCD steppers and scanners, efforts were made to expand sales of existing products such as the FX-65S, which is compatible with exposures by 6th generation glass plates, and of the FX903N, which is optimal for the production of small to medium-sized high-precision liquid crystal displays used in cell phones and automotive devices. With the downturn in market conditions, however, Precision Equipment net sales declined 24.4% from the previous year to ¥219,915 million. Operating income was down 81.5% to ¥8,041 million.

In the Imaging Products Business, the digital SLR cameras product line was enhanced with the launches of the flagship D3X and of the D90, which is the world's first mid-range model, the world's first digital SLR camera with movie recording functions. Compact digital cameras enjoyed a significant increase in both net sales and the number of units sold as a result of favorable sales in the North American region together with the March 2009 release of the COOLPIX P90, which provides a 24x optical zoom function, the COOLPIX S630, and other new S series products that combine functionality with stylish design. Sales of interchangeable lenses were higher as the NIKKOR lens marked its 75th anniversary. Sales of lenses in digital SLR camera kits were strong while sales of high-value-added, high-priced lenses also increased with the expanded line-up of digital SLR cameras for professionals and advanced amateurs. Following from the previous fiscal year, continued efforts were made to boost productivity, advance procurement reforms, improve inventory asset turnover periods and otherwise strengthen manufacturing, and to further reduce costs and realize higher asset efficiency. As a result, Imaging Products net sales increased by 1.8% to ¥596,468 million. Nevertheless, operating income dropped 52.3% to ¥40,039 million because of the large appreciation of the yen in the second half, the slump in personal consumption amid the economic downturn, and the decline in product unit prices under intensified competition.

In the Instruments Business, bioscience field sales were at the same level as the previous fiscal year, with efforts focused on promoting the sales of system products including the ECLIPSE Ti inverted research microscope and the A1 confocal microscope. Meanwhile, the industrial instruments field posted sharp declines in sales of industrial microscopes, measuring instruments and semiconductor

inspection equipment because of sluggish industrial instrument-related markets, despite efforts to promote sales in various areas including the launch of the ECLIPSE MA200 inverted metallurgical microscope. As a result, Instruments Business net sales decreased by 24.4% to ¥44,643 million, with an operating loss of ¥2,724 million (compared with operating income of ¥4,081 million in the previous fiscal year).

In Other Business, in the customized products business sales of optical components and space-related products were basically flat, while sales of special-order items and solid-state lasers declined with the deterioration of market conditions. Glass-related business sales increased with the commencement of shipments of LCD photomask substrates for 10th generation equipment. The sport optics products business was firm, with strong sales in Europe and Asia. As a result, Other Business net sales decreased by 5.5% to ¥18,693 million. Operating income was down 20.9% to ¥2,876 million.

Segment Performance by Region

In digital cameras, sales were down in Japan impacted by the sudden worsening of market conditions. Overseas sales held firm in each country, when denominated in local currencies. Denominated in yen, sales rose in North America and Asia/Oceania, but remained flat in Europe, influenced by the rapid appreciation of the yen. Sales of IC steppers and scanners declined worldwide with the cutbacks in capital expenditures in all regions.

As a result of these developments, in Japan, net sales declined 31.6% to ¥259,844 million with operating income of ¥20,172 million. In North America, sales rose 13.2% to ¥272,457 million, with operating income of ¥2,925 million. In Europe, sales were down 2.3% to ¥219,119 million, with operating income of ¥6,166 million. In Asia/Oceania, sales were up 6.0% to ¥128,299 million, with operating income of ¥11,964 million.

Financial Position

During the consolidated fiscal year ended March 31, 2009, total assets declined ¥70,817 million from the previous year to ¥749,805 million. This mostly reflected a ¥77,183 million decrease in current assets, with drops in cash and cash equivalents, notes receivable, and accounts receivable—trade.

Total liabilities declined ¥56,778 million to ¥370,718 million mostly due to decreases in notes, accounts payable—trade and accrued expenses, despite increases in the balances of short-term borrowings, bonds to be redeemed within one year, issuance of commercial paper, and long-term loans payable.

Total equity fell ¥14,039 million to ¥379,087 million, despite an increase in retained earnings from posting the fiscal year net income.

Net Sales by Industry Segment
Years ended March 31, 2009 and 2008

	Millions of Yen, %		Thousands of U.S.Dollars
	2009	2008	2009
Precision Equipment	¥219,915	¥290,814	\$2,238,779
Share of net sales	25.0%	30.4%	
Imaging Products	596,468	586,147	6,072,159
Share of net sales	67.8	61.3	
Instruments	44,643	59,043	454,469
Share of net sales	5.1	6.2	
Other	18,693	19,788	190,300
Share of net sales	2.1	2.1	
Total	¥879,719	¥955,792	\$8,955,707

Balance Sheet Analysis
March 31, 2009 and 2008

	% of Total Assets	
	2009	2008
Total assets	100.0 %	100.0 %
Total current assets	69.2	72.6
Inventories	35.4	32.3
Property, plant and equipment	16.8	14.3
Investments and other assets	14.0	13.1
Total current liabilities	38.6	43.0
Short-term borrowings	4.8	1.0
Long-term debt, less current portion	8.7	7.3
Total equity	50.6	47.9

The decrease in total equity was mostly the result of the acquisition of treasury stock and of declines in the valuations of other negotiable securities and from foreign exchange translation adjustments. The equity ratio increased 2.6 percentage points from the end of the previous fiscal year to 50.5%.

Cash Flow Analysis

Cash flows from operating activities decreased ¥110,728 million to ¥10,112 million. Despite the posting of ¥39,180 million in income before income taxes and a ¥26,694 million decrease in notes and accounts receivable—trade, cash flows from operating activities fell mainly because of a ¥56,885 million decrease in notes and accounts payable—trade, with ¥53,287 million in income taxes paid.

Cash flows from investing activities declined ¥5,265 million to ¥44,518 million, mostly because of ¥31,035 million in expenditures for the purchase of property, plant and equipment.

Cash flows from financing activities increased ¥44,438 million to ¥5,774 million mainly because of a ¥20,000 million increase in commercial paper and ¥11,700 million in proceeds from long-term debt, despite the payment of ¥10,338 million in cash dividends and expenditures of ¥12,338 million for the acquisition of treasury stock and ¥5,000 million for the redemption of bonds.

As a result of these developments, the balance of cash and cash equivalents declined ¥33,152 million to ¥79,806 million.

Basic Policy on Shareholder Returns and Current and Subsequent Term Dividends

Nikon's basic dividend policy is to improve reflection of business performance based on paying a steady, continuous dividend emphasizing the standpoint of investors while also expanding investment for future growth and technological development (capital expenditure and R&D development) and striving to strengthen competitiveness. Under this basic policy, Nikon has aimed at a total return ratio of at least 25% and otherwise provided shareholder returns through dividend increases and the acquisition of treasury stock.

For the fiscal year ended March 31, 2009, with declines in both sales and income Nikon set the year-end dividends at ¥5.5 per share, a decrease of ¥8 from the previous fiscal year. As a result, cash dividends for the full fiscal year ended March 31, 2009 totaled ¥18 per share, including a ¥12.5 interim dividend.

For the fiscal year ending March 31, 2010, Nikon plans to pay total dividends of ¥8 per share, including a ¥4 interim dividend.

