



Annual Report 2010  
*Year ended March 31, 2010*



Nikon has been a pioneer in optical technology to develop worldwide since its inception in 1917. Today, we offer a wide range of products utilizing advanced technologies, from consumer optics such as digital cameras and other camera-related products, binoculars and ophthalmic lenses, to industrial precision equipment including IC and LCD steppers and scanners, microscopes and measuring instruments.

The difficult business environment in the fiscal year ended March 2010 resulted in a decline in net sales, and Nikon posted a net loss for the period. However, we were able to secure operating income in the second half of the year as a result of restructuring measures throughout the Nikon Group. We will maintain measures to bolster our earnings capacity and develop leading-edge products, with the goal of quickly regaining uninterrupted growth by the fiscal year ending March 2012.

Nikon, following its unchanged corporate philosophy of "Trustworthiness and Creativity," will continue to utilize its capability in cutting-edge technology, competitive products and effective marketing to their fullest extent to create products that exceed the expectations of our customers.

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Statements contained in this report regarding the plans, projections and strategies of the Nikon Corporation and its subsidiaries and affiliates that comprise the Nikon Group (hereinafter "Nikon") that are not historical fact constitute forward-looking statements about future financial results. As such, they are based on data that are obtainable at the time of announcement in compliance with Nikon's management policies and certain premises that are deemed reasonable by Nikon. Hence, actual results may differ, in some cases significantly, from these forward-looking statements due to changes in various factors, including—but not limited to—economic conditions in principal markets, product and service demand trends, customer capital expenditure trends, and currency exchange rate fluctuations.

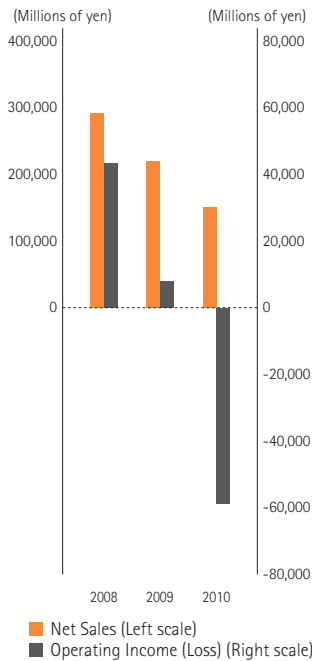
# At a Glance

## Precision Equipment

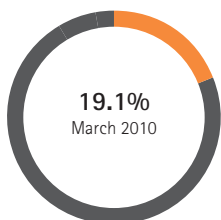


Nikon contributes to our increasingly sophisticated information society with its leading steppers and scanners, used in semiconductor and LCD panel manufacturing worldwide.

**Net Sales and Operating Income (Loss)**  
Years ended March 31



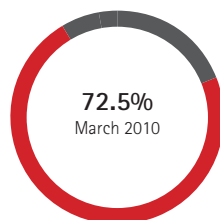
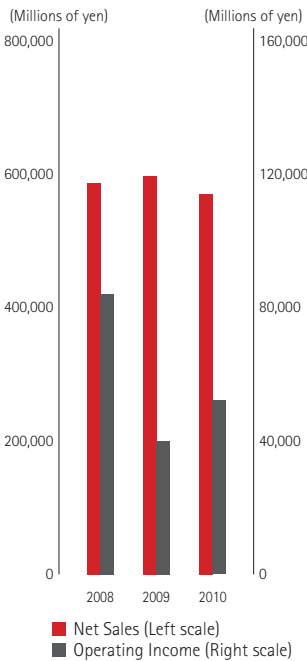
**Share of Net Sales**



## Imaging Products



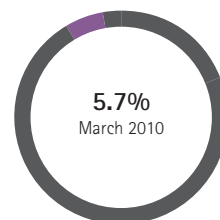
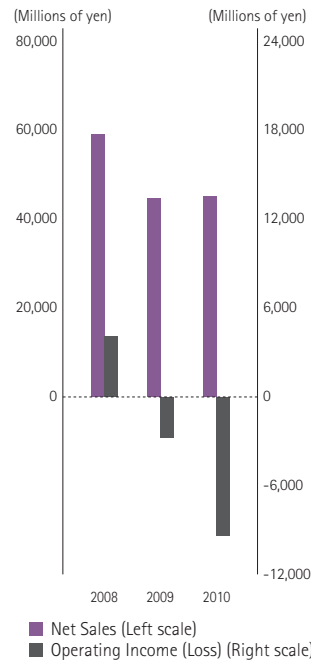
For a new dimension of pleasure from photography, Nikon develops and markets imaging products worldwide with various features using sophisticated digital imaging technology.



## Instruments



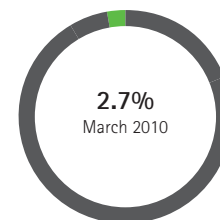
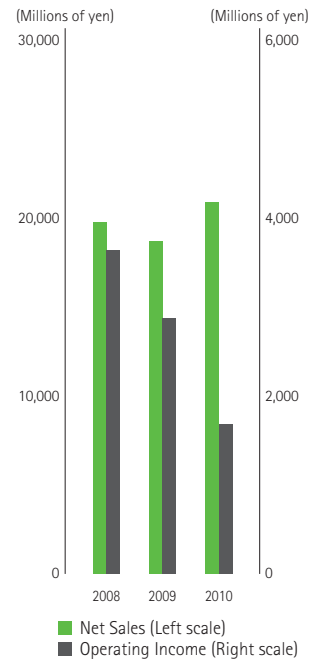
Nikon's microscopic ultra-precision tools are used extensively in bioscience, and contribute to greater efficiency in high-precision measurements in the field of industrial instruments.



## Other



Outside of its current core businesses, Nikon is diversifying into businesses that are expected to grow according to society's expanding needs, and will nurture these new developments into future core businesses.



# Financial Highlights

Nikon Corporation and Consolidated Subsidiaries  
Years ended March 31

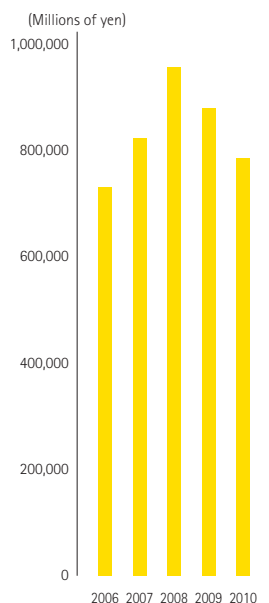
	Millions of Yen					Thousands of U.S. Dollars
	2010	2009	2008	2007	2006	2010
<b>For the year</b>						
Net sales	¥785,499	¥879,719	¥955,792	¥822,813	¥730,944	\$8,442,593
Operating income (loss)	(13,854)	48,185	135,169	102,007	66,587	(148,905)
Net income (loss)	(12,615)	28,056	75,484	54,825	28,945	(135,590)
<b>Per share of common stock (yen and U.S. dollars):</b>						
Basic net income (loss)	¥(31.82)	¥70.76	¥189.00	¥146.36	¥78.16	\$(0.34)
Diluted net income	–	67.91	181.23	131.42	69.33	–
Cash dividends applicable to the year	8.00	18.00	25.00	18.00	10.00	0.09
<b>At year-end</b>						
Total assets	¥740,632	¥749,805	¥820,622	¥748,939	¥690,920	\$7,960,364
Total equity	372,070	379,087	393,126	348,445	243,122	3,999,031
<b>Financial ratios</b>						
Equity ratio (%)	50.2	50.5	47.9	46.5	35.2	
ROE (%)	(3.4)	7.3	20.4	18.5	13.2	
ROA (%)	(1.7)	3.6	9.6	7.6	4.4	

Notes: 1. Per share of common stock information is computed based on the weighted average number of shares outstanding during the year.

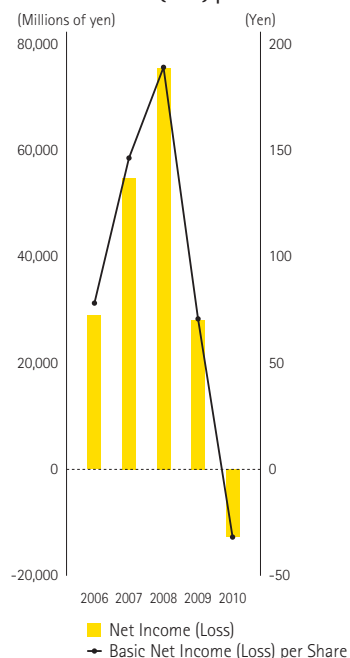
2. U.S. dollar figures are translated for reference only at ¥93.04 to U.S. \$1.00, the exchange rate at March 31, 2010.

3. Throughout this annual report, ROE is calculated as net income (loss) divided by average shareholders' equity, and ROA is calculated as net income (loss) divided by average total assets.

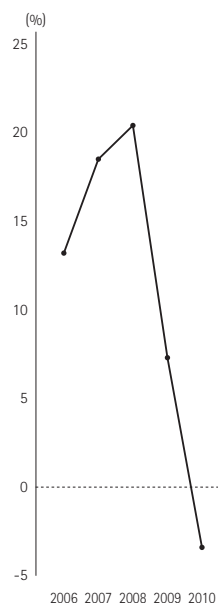
**Net Sales**



**Net Income (Loss) and Basic Net Income (Loss) per Share**



**ROE**



## To Our Shareholders and Investors



*Michio Kariya*

MICHIO KARIYA  
*Representative Director,  
Chairman of the Board*

*Makoto Kimura*

MAKOTO KIMURA  
*Representative Director,  
President, Member of the Board*

*Ichiro Terato*

ICHIRO TERATO  
*Representative Director,  
Member of the Board,  
Executive Vice President*

## Our Vision for a Vibrant Nikon with Sustainable Growth

Nikon recorded a decline in revenue and an operating loss on a consolidated basis for the fiscal year ended March 2010. However, under the guidance of the Management Reform Committee formed in the previous fiscal year, we took steps to establish a corporate structure able to generate earnings even during times of rapid changes in the business environment, and succeeded in securing operating income during the second half. We intend to continue with our measures to strengthen the corporate structure, while also deeply cultivating and expanding business domains, in an effort to return to an uninterrupted growth track.

## Interview with the President



MAKOTO KIMURA  
*Representative Director,  
 President, Member of the Board*

*How would you assess Nikon's performance for the fiscal year ended March 2010? Also, please give a summary of the three-year Medium Term Management Plan beginning in the fiscal year ending March 2011, which was announced in June 2010.*

Nikon's consolidated net sales for the fiscal year ended March 2010 declined 10.7% from the previous fiscal year to ¥785,499 million, with an operating loss for the period of ¥13,854 million. The decline in sales stemmed mainly from a contraction in the market for IC and LCD steppers and scanners in the Precision Equipment Company, which shrank to approximately half that of a year earlier, as well as from the impact of the appreciation of the yen on the Imaging Company.

The operating loss was the result of the sharp decline in the market for steppers and scanners, along with extraordinary factors such as an additional write-down of inventories we were forced to post in the Precision Equipment Company. This write-down was recorded as a lump sum during the first half of the subject fiscal year, and we achieved

profitability in the second half on positive performance in the Imaging Company.

For the fiscal year ending March 2011, we anticipate an increase in consolidated net sales of around 10% from the previous fiscal year, and the recovery of operating income. In addition, we expect to regain a solid growth track by the fiscal year ending March 2012. We plan to secure higher profitability, and have set a target for the fiscal year ending March 2013 of ¥1,100,000 million in net sales, with operating income of ¥120,000 million. To achieve this, we plan to establish a solid business foundation to minimize the impact the fluctuations in the economy have on earnings.

*What sorts of measures will be necessary to establish a solid business foundation?*

Nikon has consistently manufactured and provided products incorporating advanced technology. To establish a solid business foundation, we need to bolster business functions across the board, including marketing, sales and service. Specifically, the efficiency of business processes needs to be

## Consolidated Financial Targets

Years ended March 31

- Gain the leading position in the existing fields
- Create new businesses

(Billions of yen)	2010	2011	2013
Net Sales	785.5	880.0	1,100.0
Operating Income (Loss)	(13.9)	52.0	120.0
Net Income (Loss)	(12.6)	30.0	65.0

**Exchange Rate (Yen)** 2010 US\$1 = ¥93 1 euro = ¥131  
 2011 US\$1 = ¥90 1 euro = ¥120  
 2013 US\$1 = ¥90 1 euro = ¥110

(Announced on June 18, 2010)

raised to the same level as technology development processes. We also need to improve the speed of those processes, and forge close links between them.

This speed is an extremely important point in terms of surviving amid fierce competition in a constantly changing market. If we do not bring out products that meet market needs in a timely manner, we lose more than just opportunities for sales. We also run the risk of excess inventory, and ultimately that this would result in a deterioration in earnings. Unfortunately, at the present time not every one of our business processes is functioning at an optimal level, and there is still ample room for improvement.

Another important point is broadening the reach of Nikon's brand image. Even if the products we offer are technologically outstanding, we cannot hope for continued business expansion without a solid brand image that permeates the market. Currently, Nikon's brand image is identified mainly with "high quality," "reliability" and "integrity," while user-friendliness lags. To bolster our existing brand image, we of course want to include "fun" and "spirit of innovation" as an integral part of that image.

### *Which areas are you focusing on in terms of new product and technology development?*

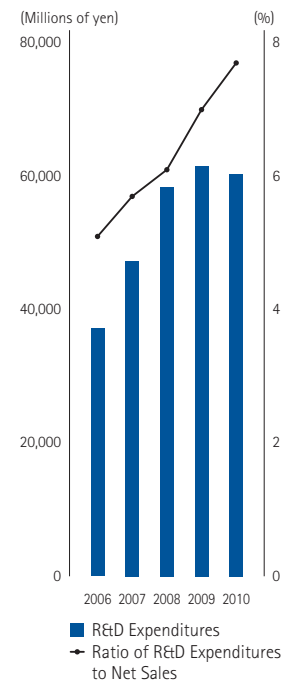
We aim to be the market leader in all our business areas.

In the Precision Equipment Company, we are making further advances in cutting-edge ArF immersion scanners for double patterning. For LCD scanners utilizing multi-lens projection optical systems, we are adapting equipment for larger glass plates without affecting the resolution.

The Imaging Company is focusing on the development of the new generation of digital cameras. This is not simply about making digital SLR cameras smaller and lighter. It includes offering image capture devices that allow for new forms of photography.

In the Instruments Company, for the industrial instruments field we plan to develop high-value-added products that integrate the non-contact measurement systems of Metris NV (currently Nikon Metrology NV, a Belgian manufacturer of measuring equipment that we made a wholly owned consolidated

**R&D Expenditures and Ratio of R&D Expenditures to Net Sales**  
 Years ended March 31



## Missions of the Nikon Group



subsidiary in October 2009) with our optical and high-precision measurement technologies. For the bioscience field, we plan to expand sales of super resolution microscopes.

*Business development in newly emerging markets is expected to become increasingly important. What are the main issues involved in such an expansion?*

Cultivating markets in newly emerging countries is a major consideration for all three of our in-house companies, particularly the rapidly expanding Asian markets. The Imaging Company already derives more than 20% of its sales from China, India and other areas of Asia outside Japan, and we expect that the scale of the Asian market will rival that of Europe and the Americas in the next few years. The Precision Equipment Company entered the Chinese market in January 2010, winning a large order for LCD scanners. The Instruments Company is also expanding its business, mainly in Asian markets.

One of the first issues involved in boosting business in newly emerging markets is human resources development. We cannot hope for

full-fledged business expansion unless we focus on establishing local management structures that provide us with a thorough understanding of the language and culture of each region or country, and through which we are able to formulate solid sales marketing strategies.

Up to this point our business development in newly emerging markets has been conducted at the discretion of each business division, tailored to the particular characteristics and circumstances of each country and region. Going forward, we intend to draw on this experience in pursuit of more efficient and effective business development. We also plan to concentrate more intently on building efficient networks for production and procurement.

*Are you considering M&A as an option?*

Companies must continually seek expansion. Our financial position has now improved, so if there is a company with a business similar to our own, or operating in a new field, or that has the potential to enhance the value of the Nikon brand, then yes, M&A is certainly an option.





The Instruments Company completed an M&A in the fiscal year ended March 2010, and it is possible that the Imaging Company will also look to M&A in its bid to become a comprehensive imaging manufacturer, considering that the boundaries for the uses of digital imaging are disappearing. There is also potential for M&A in the Precision Equipment Company if new business fields should present themselves. I believe we can discover further opportunities for growth through a continual effort to expand not only in our current operations, but also by broadening our business domains.

### *What is Nikon's policy regarding shareholder returns?*

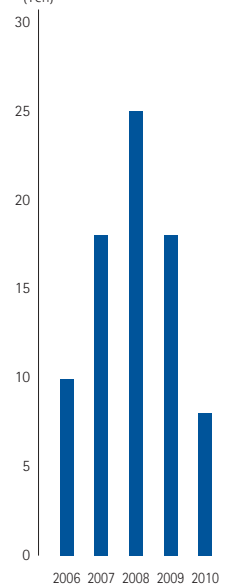
Nikon's basic policy regarding the distribution of earnings is to expand investment in business and technology development to ensure future growth, take steps to enhance competitiveness, and pay a steady dividend that reflects the perspective of shareholders, while making continual adjustments to better reflect operating performance. In accordance with this policy, we have set a target for a total return ratio of 25% or more.

For the fiscal year ended March 2010, in line with our basic stance of maintaining a stable dividend, we reduced our year-end dividend by ¥1.50 per share from the previous fiscal year for a total of ¥4.00 per share, which together with the interim dividend of ¥4.00 per share amounted to a full-year dividend of ¥8.00 per share. For the fiscal year ending March 2011, Nikon plans to pay a full-year dividend of ¥19.00 per share (including an interim dividend of ¥5.00 per share).

### *Finally, what is your ambition as president, and what message would you give to shareholders and investors?*

I will devote my full effort to protecting the Nikon brand established over many years, and further enhancing its value. In doing so, I believe it is important to focus on not only improving our brand image, but also achieving continued growth as a company. I also think that maintaining a will for reform is necessary to realizing such growth. We will continue to expand our business domains and earnings base, and work to achieve a sturdy corporate structure.

**Cash Dividends**  
Years ended March 31  
(Yen)



# Precision Equipment Company

*Aiming at Profitability, Maximizing Cutting-Edge Lithography Technology*



*ArF Immersion Scanner NSR-S620D*

The Precision Equipment Company aggressively implemented structural reforms of manufacturing subsidiaries and optimization of inventory during the fiscal year ended March 2010. In the IC steppers and scanners field, we improved the performance of the NSR-S620D ArF immersion scanner for double patterning\*<sup>1</sup> with the aim of future sales expansion, as planned. In the LCD steppers and scanners field, we won a major order from China. Using these achievements as footholds, the Precision Equipment Company aims to return to profitability during the fiscal year ending March 2011.

Note:

1. Double patterning is a lithography technique in which a single, dense circuit pattern is split into two coarser patterns that can be exposed separately. The two patterns can then be overlaid on the wafer, providing a final, dense circuit pattern.



KAZUO USHIDA

*Director, Member of the Board and  
Senior Executive Officer*

*President of Precision Equipment Company*

### *Review of the Fiscal Year Ended March 2010*

During the fiscal year ended March 2010, although signs of recovery started to become visible in the second half, unit sales of IC and LCD steppers and scanners dropped sharply, as both of these markets contracted by nearly 50% during the economic slump caused by the financial crisis. As a result, segment sales fell 31.7% from the previous fiscal year to ¥150,101 million. Owing to reduced sales and additional write-down of inventories, the segment posted an operating loss of ¥58,557 million compared with operating income of ¥8,041 million in the previous fiscal year.

In IC steppers and scanners, Nikon was forced to record a large additional write-down of inventories owing to a sharp market contraction and an earlier-than-expected shift in demand to high-performance equipment. As the market turned toward recovery in the second half, we began scheduled shipments in the third quarter of cutting-edge ArF immersion scanners for double patterning that will allow for mass production of semiconductors at 32 nm and beyond.

In LCD steppers and scanners, efforts were made to expand sales of the FX-101S scanner, which is compatible with 10th generation large glass plates, and of steppers suitable for the manufacture of the small to medium-sized high-precision liquid crystal displays used in cell phones and automotive electronic devices. In the Chinese market, we received a major order for LCD scanners for 8th generation glass plates.

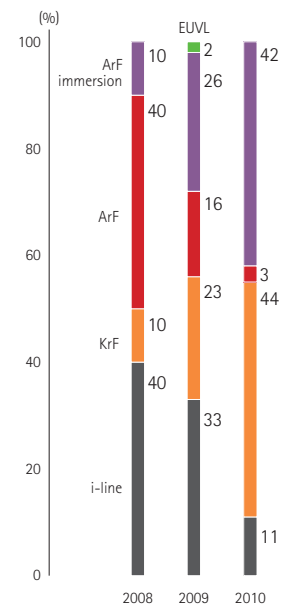
The Precision Equipment Company also actively pursued structural reforms and measures to reinforce cost-competitiveness throughout the business, reorganized and consolidated four domestic manufacturing subsidiaries into two, and implemented rationalization measures at service subsidiaries and overseas marketing operations.

### *IC Steppers and Scanners*

#### **Raising Our Share in State-of-the-Art Fields with Cutting-Edge Immersion Scanners**

While the demand for semiconductor devices is expected to remain firm, customers are seeking further device shrinkage of semiconductors and higher throughput. To respond to these demands, Nikon devoted its efforts to

**IC Steppers and Scanners,  
Sales Unit Ratio by Technology**  
Years ended March 31





A new building at the Kumagaya Plant that has been operating since April 2010

development of the NSR-S620D ArF immersion scanner for double patterning.

In developing the NSR-S620D, we set extremely demanding performance targets, calling for a throughput of 200 wafers per hour and an overlay accuracy of 2 nm.

The NSR-S620D also incorporates a complete modular construction based on the most recent design concepts. This facilitates testing at the module level, as well as easy upgrades at customer sites, and maximizes the overall precision. Customers will be able to just change the necessary modules, rather than purchase entirely new equipment, when responding to further device shrinkage.

A new building for the production of the NSR-S620D has been operating at the Kumagaya Plant since April 2010. For precise module-level manufacturing and testing, the new building features a higher level of cleanliness as well as the latest technologies to counter minute floor vibrations.

ArF immersion scanners hold the key to earnings amid the recovery of the semiconductor market. The scale of the ArF immersion

scanner market is expected to be on the order of 100 units per year from the fiscal year ending March 2011 through the fiscal year ending March 2013. Nikon plans to steadily increase its share of the ArF immersion scanner market, centering on the NSR-S620D.

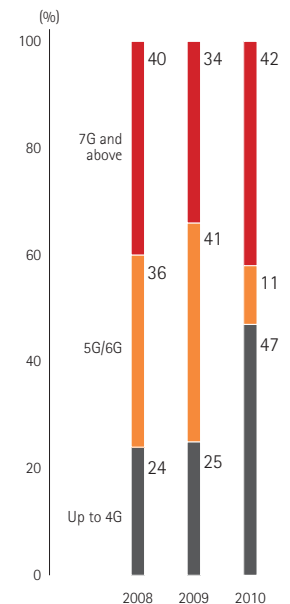
### LCD Steppers and Scanners

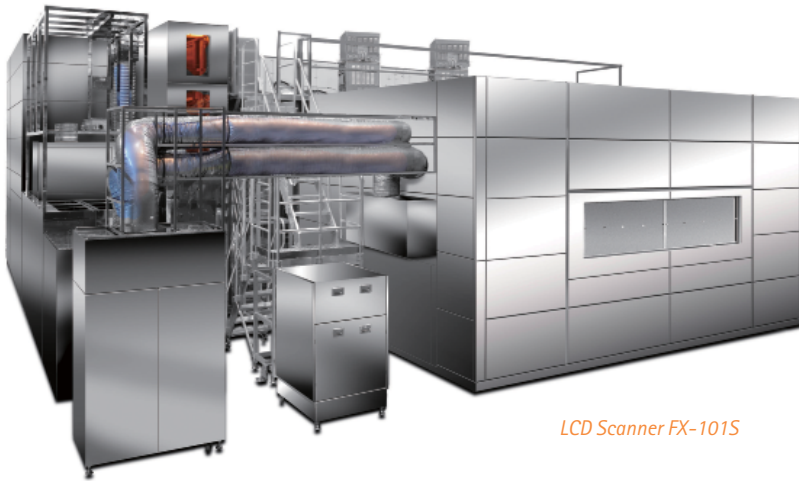
#### Using Orders Received in China as a Springboard to Boost Our Position Further

As sales of large-screen LCD televisions remain favorable, the demand for LCD steppers and scanners is projected to hold firm from the fiscal year ending March 2011 through the first half of the fiscal year ending March 2012, centered on models for 8th generation glass plates. In addition, the trend to higher TV image quality and the spread of 3D television are expected to accelerate the move toward higher-performance, larger-screen LCD televisions, as well as the shift to 10th generation and then 11th generation glass plates.

Nikon's multi-lens projection optical system is the greatest strength of our LCD scanners in responding to this shift toward higher-performance, larger-screen LCD televisions.

LCD Steppers and Scanners, Sales Unit Ratio by Generation  
Years ended March 31





*LCD Scanner FX-101S*

The advantage of this multi-lens method is that we can respond easily to the increased size of glass plates for efficient manufacturing of large-scale LCD panels with each new generation, without affecting the resolution, by raising the number of projection lenses. Accordingly, we view the trend toward higher-performance and larger-screen LCD televisions as a favorable development, giving greater momentum to Nikon.

In January 2010, we received a large LCD scanner order for what will be the first 8th generation glass plate LCD panel manufacturing line in China. This was a major step toward expanding sales in China, where the market is projected to grow in the future.

We expect the market for LCD steppers and scanners to be around 110 units in the fiscal year ending March 2011, and then remain around 80 to 100 units per year for the next few years. The Precision Equipment Company will continue striving to maintain its high market share.

### *Developing Business on the Front Lines of Nikon's Core Technologies*

Our plan calls for a recovery from the operating loss of ¥58,557 million in the fiscal year ended March 2010 to a profit in the fiscal year ending March 2011, followed by an increase to proper profit levels in the next year. We think we can achieve this goal by further promoting sales of our cutting-edge ArF immersion scanner for double patterning and our multi-lens format LCD scanners, which manifest their strengths when manufacturing large-scale LCD panels.

The Precision Equipment Company is developing businesses on the front lines of our core opto-electronics and precision technologies. We will continue to take pride in driving this business forward.



# Imaging Company

*Improved Profitability and Rising Earnings  
in an Adverse Business Climate*



*Digital SLR Camera Nikon D3S*

Despite the tight market environment, the Imaging Company achieved year-on-year increases in unit sales of digital SLR cameras and compact digital cameras of 7% and 11%, respectively, during the fiscal year ended March 2010. We will continue to enhance our product competitiveness and brand value to further expand the business.



**YASUYUKI OKAMOTO**  
*Director, Member of the Board and  
 Executive Officer  
 President of Imaging Company*

### *Review of the Fiscal Year Ended March 2010*

The digital camera market showed signs of recovery from the second half of the fiscal year ended March 2010. Because of the appreciation of the yen, however, the Imaging Company's segment sales declined 4.5% from the previous fiscal year to ¥569,465 million. Operating income, on the other hand, improved significantly, jumping 30.2% to ¥52,117 million, due to the scaling back of expenses, streamlining of procurement and other cost reduction measures.

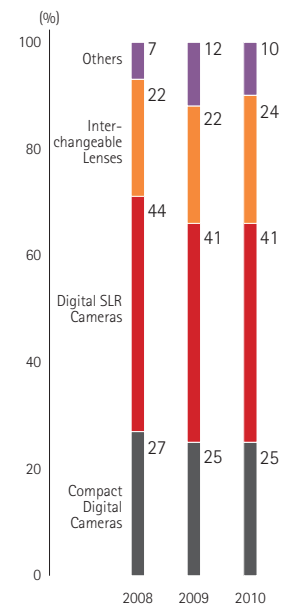
The market for digital SLR cameras was flat during the first half as in the corresponding period of the previous year, but began rising during the second half. The compact digital camera market, which had been on the decline, also recovered during the second half.

Amid such market conditions, unit sales of digital SLR cameras expanded 7% from the previous fiscal year, as sales recovered in the second half of the year. Growth stemmed mainly from the popularity of new models such as D3S, our new flagship model launched in November 2009 that offers ISO

12800 as standard, together with popular models such as D3000 and D5000. The rise in unit sales of compact digital cameras was centered on the COOLPIX S220 model, which combines exceptional performance with sleek design. We also provided a new way to enjoy images with the launch of COOLPIX S1000pj, a compact digital camera with the world's first\*1 ultra-small built-in projector. While the compact digital camera market overall recorded a year-on-year decline on a shipment basis, Nikon achieved an 11% increase in unit sales with the introduction of attractive new products, and healthy sales in the United States and China.

In interchangeable lenses, sales were steady for both camera kits and high-priced lenses, and the cumulative production of the NIKKOR lens for SLR cameras reached 50 million units in August 2009. Total production volume had hit 45 million units in August 2008, showing a total of five million units manufactured in just one year. Concurrently, Nikon moved forward with efforts to establish a production system able to withstand further appreciation of the yen. We acquired a capital stake in the Malaysian precision component manufacturer Notion VTec Berhad, and took other

**Sales Value Ratio by Product**  
 Years ended March 31



Note: The sales value for 2008 is on a non-consolidated basis and for 2009 and 2010 is on a consolidated basis.



*Digital SLR Camera Nikon D300S*



*Digital SLR Camera Nikon D5000*

steps to expand overseas manufacturing and procurement in foreign currency. We also continued to bolster manufacturing capabilities, cut costs and enhance asset efficiency.

Note:

1. As of August 4, 2009 among digital cameras, according to research conducted by Nikon Corporation.

## **Digital Cameras**

### **Meeting Customer Needs with a Broad Product Lineup**

The scale of the digital SLR camera market exceeded 10 million units in the fiscal year ended March 2010, and is expected to increase further during the next fiscal year. Nikon will continue to respond to the wide range of consumer needs by introducing products that exceed customer expectations, and pursuing a "full lineup" product strategy incorporating models for everyone from beginners to professionals. We are forecasting a steady expansion in unit sales of digital SLR cameras in the fiscal year ending March 2011.

Compact digital cameras have become widespread in developed countries, and the

market is expected to grow only slightly during the fiscal year ending March 2011. Nikon offers a broad lineup of products for everyone from beginners to camera enthusiasts, and will introduce distinctive products that accentuate the quality of a camera's basic functions. We are forecasting mild growth in unit sales of compact digital cameras in the fiscal year ending March 2011.

### **Newly Emerging Countries as Promising Markets**

Newly emerging countries exhibiting remarkable economic growth remain promising markets for both digital SLR cameras and compact digital cameras. However, we need to properly grasp the market needs in each country, and establish the Nikon brand image beyond what we already have achieved in those areas. Our strength in newly emerging countries will lie with the brand appeal developed up to now, together with an enhanced corporate structure that includes management of local subsidiaries.

Nikon has put considerable effort into establishing direct sales structures in newly emerging markets, setting up local subsidiaries in India in 2007, Russia in 2008, and





*Digital Compact Camera Nikon COOLPIX S8000*

Mexico in 2009. Particularly in China and India, we have focused on steadily expanding our sales networks and establishing our brand image, and sales have grown accordingly. In China, Nikon is in a position to contend for the leading market share for digital SLR cameras, while in compact digital cameras we have maintained a greater than 10% share of the market and enhanced it. We have also placed priority on establishing the Nikon brand in other newly emerging countries, and are working hard to ensure success.

### *Measures to Achieve New Growth*

The Imaging Company is currently considering a number of measures for new growth. Throughout this process, we must first assess whether the expectations placed on Nikon by "Nikon fans" are reflected properly in our growth strategies, and develop those strategies accordingly. We will shore up regions and sales locations where Nikon's sales strength is weak and develop marketing strategies targeting new customer segments such as young people and women. We will improve cost-competitiveness and earnings capacity through efforts including bolstering of overseas production and procurement,

and secure the personnel able to cultivate new markets and develop cutting-edge technologies. We will also continue to focus on developing new generation digital cameras based on fresh ideas and concepts.

The Nikon brand image has won high regard around the world as a symbol of advanced Japanese technology. We take pride in the fact that it is one of the leading Japanese brands. We need to further enhance the value of this brand in developed countries, and establish it firmly in newly emerging countries. To accomplish this, we will introduce products that consistently meet customer expectations, and undertake aggressive marketing efforts to secure Nikon's strength.

# Instruments Company

*Targeting New Business Domains and  
Expansion of the Earnings Base*



*Super Resolution Microscope  
N-SIM*

The Instruments Company enjoyed a solid performance in the bioscience field throughout the fiscal year ended March 2010, but the industrial instruments field was adversely affected by cutbacks in capital expenditure due to the weak economy. Our goals for the fiscal year ending March 2011 will be to expand the scope of our business and reinforce our earnings base by introducing a new line of super resolution microscopes, and by strengthening our measuring instruments business.



TOSHIYUKI MASAI

*Director, Member of the Board and  
Executive Officer  
President of Instruments Company*

### *Review of the Fiscal Year Ended March 2010*

Sales in the bioscience field recorded steady growth during the fiscal year ended March 2010, particularly in Japan and Asia, although conditions remained severe in the industrial instruments field due to weakness in the overall market. As a result, segment sales rose a slight 0.9% from the previous fiscal year to ¥45,051 million, but the operating loss increased to ¥9,331 million compared with ¥2,724 million in the previous fiscal year because of one-off expenses related to the conversion of measuring instruments business affiliates into consolidated subsidiaries.

Sales in the bioscience field, which specializes in biological microscopes, grew by more than 10% year on year, primarily because of continued demand for products in areas working with live cells. Sales of the confocal microscope A1 and the inverted research microscope ECLIPSE Ti were especially healthy.

In contrast, the business environment for industrial instruments was extremely severe as weakness in the overall economy forced many companies to scale back their capital expenditure. However, some signs of recovery appeared during the second half of the year, mainly in the Asian market, and sales

improved in comparison with the same period in the previous year. The recovery in demand was particularly strong in the field of electronic components.

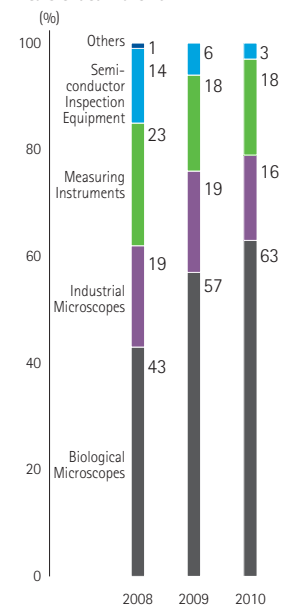
Moreover, as part of our strategy to broaden our business domain, the Instruments Company completed a friendly takeover of the Belgian measuring equipment manufacturer Metris NV (currently Nikon Metrology NV), which became a wholly owned consolidated subsidiary in October 2009. This company owns proprietary technologies in the field of non-contact, three-dimensional measurement systems and produces products for a wide range of industries, so this move is expected to generate powerful synergies with the Instruments Company both in terms of marketing and technology.

### *Bioscience*

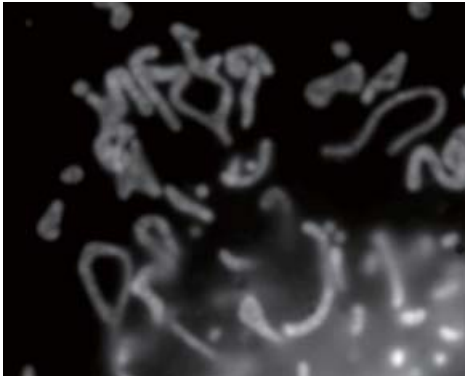
#### **Super Resolution Microscopes to Support Cutting-Edge Research**

The bioscience market depends primarily on publicly funded projects undertaken by universities and research institutes. The annual budgets for such projects are determined well ahead of time, and as a result this sector is not subject to sharp fluctuations in demand. Future demand is expected to remain relatively stable, and we forecast

**Sales Value Ratio by Product**  
Years ended March 31



### Image Comparison between Conventional Optical Microscopes and N-SIM



Conventional Microscope



N-SIM

Mitochondria in a living NIH3T3 cell stained with Mito Tracker Red.  
Total magnification: 250x

especially solid growth in sales of cutting-edge research equipment.

In the fiscal year ending March 2011 the Instruments Company will introduce two new super resolution microscopes with resolutions far superior to that of conventional optical microscopes, which have a resolution limit of 200 nm. One of these new microscopes, N-SIM, will have a resolution nearly twice as high as the conventional optical microscopes (approx. 100 nm), and will be capable of continuous imaging at a maximum speed of 0.6 sec/frame. This microscope will make it possible to clearly observe the microstructure of live cells. The other new product, N-STORM, boasts a resolution more than 10 times greater than conventional optical microscopes (approx. 20 nm) and will be capable of high-resolution, three-dimensional fluorescence imaging. It will facilitate observation of biological specimens at the molecular level. We developed these two products under license from the University of California, San Francisco, and Harvard University, respectively.

With regard to our existing line of research, clinical and educational microscopes, it is important that we expand our user base and solidify our position in the market. To do this, the Instruments Company's strategy will be to improve product functionality even among

product series that have already achieved a superior reputation among users in these various fields, while at the same time intensifying our sales and marketing efforts. In addition to hardware, it is essential that we develop software that meets the individual needs of our various users. Our goal will be to increase the value of the Nikon brand by adopting a total approach that includes upgraded software and improved customer support services.

### Industrial Instruments

#### Focus on Merging New Technologies to Develop High-Value-Added Measuring Instruments

In the industrial instruments field, the market for displays and electronic components is improving, especially in Asia, and the demand for measuring instruments and industrial microscopes is recovering rapidly. This trend is expected to accelerate further as we approach the fiscal year ending March 2012, and we are taking steps accordingly to intensify our sales and marketing activities in these areas. In the automotive market, demand is projected to recover gradually, primarily in Asia. Meanwhile, in developed countries new demand is emerging for advanced measurement systems designed to improve productivity. Going forward Nikon



*Confocal NEXIV VMZ-K6555*

*The Confocal NEXIV VMZ-K6555 is an image measuring system for fast, wide-field 3D measurements on large-sized substrates. It can also be used for a wide range of purposes in addition to substrates, including evaluation of microscopic, intricate 3D objects such as precision optics and ultraprecision molds.*

will focus on development of products to meet the needs of the Asian market, while also seeking to expand its business in developed countries by helping customers to improve their manufacturing processes.

The measuring instruments market is experiencing increased demand for non-contact measuring devices. By converting Metris NV (currently Nikon Metrology NV) into a wholly owned subsidiary, Nikon has acquired advanced technology in the high-growth field of non-contact measurement systems, and has enriched the range of products it has available to serve the measurement needs of companies in a variety of industries.

Moreover, by merging these non-contact measurement technologies with Nikon's current optical and high-precision measurement technologies, we will be able to promote development of high-value-added measuring instruments that will enable us to expand our customer base and increase sales.

### *New Products and a Recovery in the Asian Market Will Spark a Return to Profitability in the Fiscal Year Ending March 2012*

In the bioscience field, demand for biological microscopes is expected to remain healthy in the fiscal year ending March 2011, particularly

in fields related to live-cell imaging. Nikon aims to boost sales and market share by focusing especially on high-end products, such as super resolution microscopes and systems, where growth in demand is expected to be especially strong. In the industrial instruments field, we are intensifying our sales promotion activities in Japan and in Asian countries where markets are beginning to recover, such as Taiwan, South Korea and China. We forecast that earnings will start to improve during the second half of the fiscal year ending March 2011, and that we will return to profitability in the fiscal year ending March 2012.

The Instruments Company supplies a large number of products that are essential to both manufacturing and research in fields such as medicine, bioscience, and many other industries, and as a result we see many opportunities for business expansion. We will continue to strive to increase the corporate value of the Instruments Company by listening to the views of a wide range of customers, and by supplying products that contribute significantly to both manufacturing and research.

# Other

Sales increased 11.7% from the previous fiscal year to ¥20,882 million, although operating income decreased 41.4% to ¥1,685 million.

The customized products business posted an expansion in sales of space-related products, though sales of optical components and other products declined, due mainly to the deterioration in market conditions.

The glass-related business increased in sales on steady performance from LCD photomask substrates.

The sport optics products business decreased in sales primarily as a result of the downturn in consumer spending overseas.



4X10DCF



EDG 10x42



EDG Fieldscope 85 + Fieldscope Digital SLR Camera Attachment FSA-L2 + D700



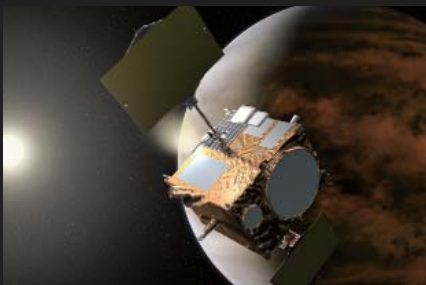
# Nikon and the Aspirations of Humanity

*The desire to know the distant universe, to make life more comfortable, to comprehend the mechanisms of life—boundless ambitions such as these have driven the progress of civilizations and technologies throughout history. The quest continues today, and Nikon technologies are utilized in many ways to support these pursuits.*

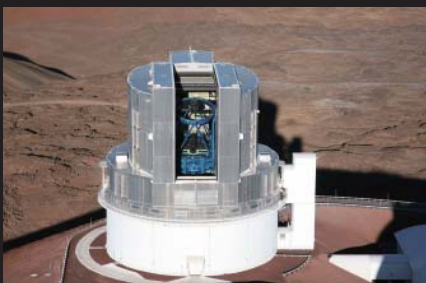
## **Nikon Products That Gaze at the Universe**

In May 2010, Japan launched "Akatsuki," its first probe vehicle to Venus. The mission of Akatsuki is to help unravel the mysteries of the Venusian atmosphere, and the information it provides will help us to understand the workings of Earth's environment, and give an indication as to our future. The observational systems carried by Akatsuki incorporate optical sensors that Nikon helped develop.

Nikon imaging products have been carried into space on numerous occasions alongside humanity's desire to approach



**Venus Climate Orbiter "Akatsuki"**  
Image provided by Akihiro Ikeshita



**Subaru Telescope on the summit of Mauna Kea in Hawaii**  
Photo provided by the National Astronomical Observatory of Japan

the unknown world, from the Nikon Photomic FTN\*<sup>1</sup> (National Aeronautics and Space Administration (NASA) specifications) for use on Apollo 15 in 1971, to the newest D3S digital SLR camera released in November 2009. Nikon has for many years helped to support NASA's space research with high-quality, durable cameras, as well as through the development and manufacture of NIKKOR interchangeable lenses that incorporate Nikon's optical technologies. Nikon imaging products are employed in the Russian segment of the International Space Station (ISS).

Nikon optical technologies have also been essential for Earth-bound space observation. The large optical-infrared telescope "Subaru" incorporates observational systems developed by Nikon, including the Faint Object Camera and Spectrograph (FOCAS) to analyze faint light from distant objects, as well as the High Dispersion Spectrograph (HDS) to separate the light from objects into various wavelengths. These systems have helped astronomers to discover galaxies 12.88 billion light years away, and to analyze the composition of stars. Technologies to manipulate light bring us closer to discovering the secrets of the birth of the universe.

Note:

1. Nikon F equipped with Photomic FTN viewfinder that supports TTL center-weighted metering.

## **Nikon Products That Make Life Comfortable and Advance Medicine**

Computers, cell phones, LCD televisions, automobiles, air conditioners—our modern lives would not be possible without products that incorporate the semiconductor devices that serve as the foundation for myriad technologies. The sophistication and functionality of these products is advancing at a breakneck pace, and this evolution is made possible by greater device shrinkage of semiconductors. Nikon, as one of the leading companies in IC steppers and scanners, is helping to further device shrinkage of semiconductors. Our cutting-edge equipment is able to handle semiconductor manufacturing for 32 nm and beyond. Our comfortable lives would not be possible without Nikon's nano-level technologies.

Keeping people healthy is just as central a desire as making lives more convenient and comfortable. To achieve this researchers strive night and day in pursuit of the mechanisms of life. Nikon technologies for observing cells and other samples using confocal microscopes, the Perfect Focus System (PFS) continuous auto-focus system or other products, help to support leading research being conducted by research institutions, joint-research facilities at universities and other centers studying such fields as biology, medicine, and medical treatments.

## Nikon's CSR Initiatives

The Nikon Group seeks to contribute to the conservation of the global environment and the sustainable development of society. We practice earnest and transparent CSR-oriented management that strengthens our relationship of trust with all stakeholders.

### The CSR Medium Term Plan

The Nikon Group has actively promoted the concept of corporate social responsibility (CSR) since 2006, when "CSR-oriented management" was adopted as a goal of its Medium Term Management Plan. Since then, Nikon has implemented a number of measures to achieve this goal, including establishment of a CSR Committee, formulation of the Nikon CSR Charter, development of a medium-term plan for CSR, and participation in the United Nations Global Compact initiative.

Until now, the Group's medium-term plan for CSR has focused on seven high-priority issues, including expanding and promoting environmental management, globally promoting compliance activities, and expanding social contribution activities worldwide. In the three-year plan that began in the fiscal year ending March 2011, we added one new goal, "Globally managing the issues related to human rights and the labor environment." Going forward, the Nikon Group will strive to become a truly outstanding company by maintaining a balance between business, preservation of the global environment, and compliance with legal and social standards.

### CSR Structure

Nikon's corporate goal calls for implementing a business management system that is characterized by integrity and a high level of transparency. To that end, we have established a CSR Committee, which is headed by

the Chairman of the Board. This committee determines and promotes CSR policies, and monitors CSR activities. The CSR Committee oversees seven specific subcommittees, including the Business Conduct, Environmental, and Social Contribution committees, which are responsible for facilitating the spread and establishment of CSR measures throughout the Nikon Group. In the fiscal year ended March 2010, a new Biodiversity Working Group was set up to help Nikon develop concrete measures to promote biodiversity.



## Management

The Nikon Group is keenly aware of its responsibilities as a corporate citizen, and aims to earn the trust of society as a whole by maintaining highly transparent management practices in full compliance with all relevant laws and regulations. We are promoting a range of management initiatives to achieve this end.

### Corporate Governance

In today's increasingly global business environment, the Nikon Group is taking steps to improve its corporate governance to increase the trust of its stakeholders and achieve its goal of "enhancing management efficiency and transparency."

Nikon Corporation has adopted an in-house company system to provide a consistent framework for management decentralization, and has strengthened the linkage between compensation and performance through the introduction of a performance evaluation system. Moreover, we have maintained the management structures and adopted an executive officer system to enable management to respond more quickly to changes in our business environment. In addition, at the election of officers that took place at the end of June 2010, oversight and operational functions were separated, with the Board of Directors headed by the Chairman of the Board, and the President heading the Executive Committee.

### Internal Control System

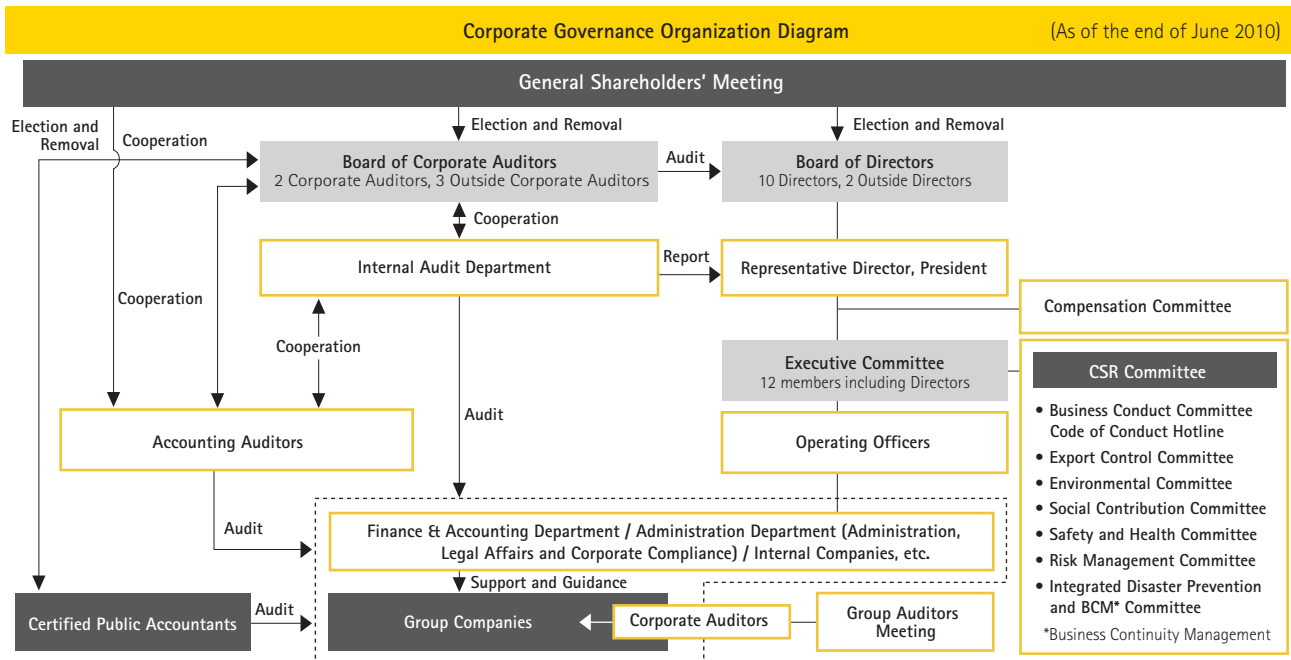
Nikon recognizes that promotion of effective and efficient business operations (management), ensuring the reliability of financial reporting

(reports), compliance with relevant laws and regulations, and safeguarding (protection) of company assets are important management responsibilities, and we are continually working to develop the organizational structures and systems necessary to achieve these objectives (ends). Steps taken to date to enable us to maintain and reinforce a sustainable internal control system include revision of rules for the delegation of authority, establishment of an independent Internal Audit Department separate from the other operations departments, strengthening the management of information assets throughout the Nikon Group, and establishment of an Internal Control Section (a special committee) to ensure compliance with Japan's Financial Instruments and Exchange (J-SOX) Act. During the fiscal year ended March 2010, we revised the Company's rules pertaining to organization (approval procedures), reinforced our decision-making processes, and updated our rules related to the reporting of material (important) matters.

### Business Conduct (Compliance)

Maintaining strict compliance with legal regulations while carrying out business activities is a matter of fundamental importance to the Nikon Group. As a global company, we are expected to achieve a particularly





high level of awareness of compliance issues, not only in Japan but also in other countries where cultural differences must be taken into account. To ensure that each of our employees can carry out his or her daily activities in accordance with the policies established by the Nikon Business Conduct Committee, the Compliance Section of Nikon Corporation, in cooperation with the persons in charge of promoting CSR and Compliance within the Company and at Nikon Group companies, carries out a variety of educational and awareness training activities.

## Risk Management

To ensure the continued development of the Nikon Group, we have established a Risk Management Committee to carry out comprehensive risk management, and to counter important risks that could have a major impact on business performance. The committee identifies risks and countermeasures, formulates strategies designed to minimize potential risk-related losses, monitors risks on a regular basis, and establishes

plan-do-check-act (PDCA) protocols. Currently the committee focuses on such areas as information security, risk management for employees assigned overseas, and measures to counter pandemic influenza. During the fiscal year ended March 2010, we established mechanisms to deter and prevent leaks of information, implemented e-learning courses, and made inspection visits to Group companies overseas to monitor the status of their information management systems.

Nikon considers the maintenance of business continuity, even in the event of a natural disaster or other contingency, to be an aspect of its social responsibility. For that reason, the Company has established an Integrated Disaster Prevention and BCM (Business Continuity Management) Committee to address the risk of a serious impact on the Nikon Group resulting from a major earthquake, fire or other natural disaster. We are also taking steps to construct BCM systems at our overseas manufacturing centers, and are developing Business Continuity Plans (BCPs) to cover all of our major business operations.

## Environmental Conservation

The Nikon Group formulated its Nikon Basic Environmental Management Policy in 1992, and enacted a major revision in 2002. This policy is designed to help the Group achieve its goal of becoming an environmentally friendly company able to achieve business growth while preserving the environment. A further revision was implemented in April 2010 to clarify Nikon's basic stance on environmental issues such as climate change and preservation of biodiversity. Based on these policies, the Environmental Committee, which is overseen by the CSR Committee, has developed a three-year Nikon Environmental Action Plan, and has established environmental targets that are being implemented throughout the Group. In the fiscal year ended March

2010, a CO<sub>2</sub> emissions reduction subcommittee was established to carry forward the work of the Global Warming Prevention Project, which was started in 2007, and to promote systematically the reduction in greenhouse gas emissions throughout the Group as a whole. Going forward, Nikon will work to reduce energy consumption on a product life cycle basis, and will increase its use of natural energy. In line with our fundamental policy of preventing pollution, we will continue our low-key efforts to reduce all forms of waste, and also promote other unique environmental activities, such as efforts to develop new types of eco-glass with a reduced environmental load.

For more information on the Nikon Group's environmental activities, please visit [www.nikon.com/about/csr/](http://www.nikon.com/about/csr/).

For Nikon's most recent CSR report, please go to [www.nikon.com/about/csr/report/](http://www.nikon.com/about/csr/report/).

## Five-Year Summary

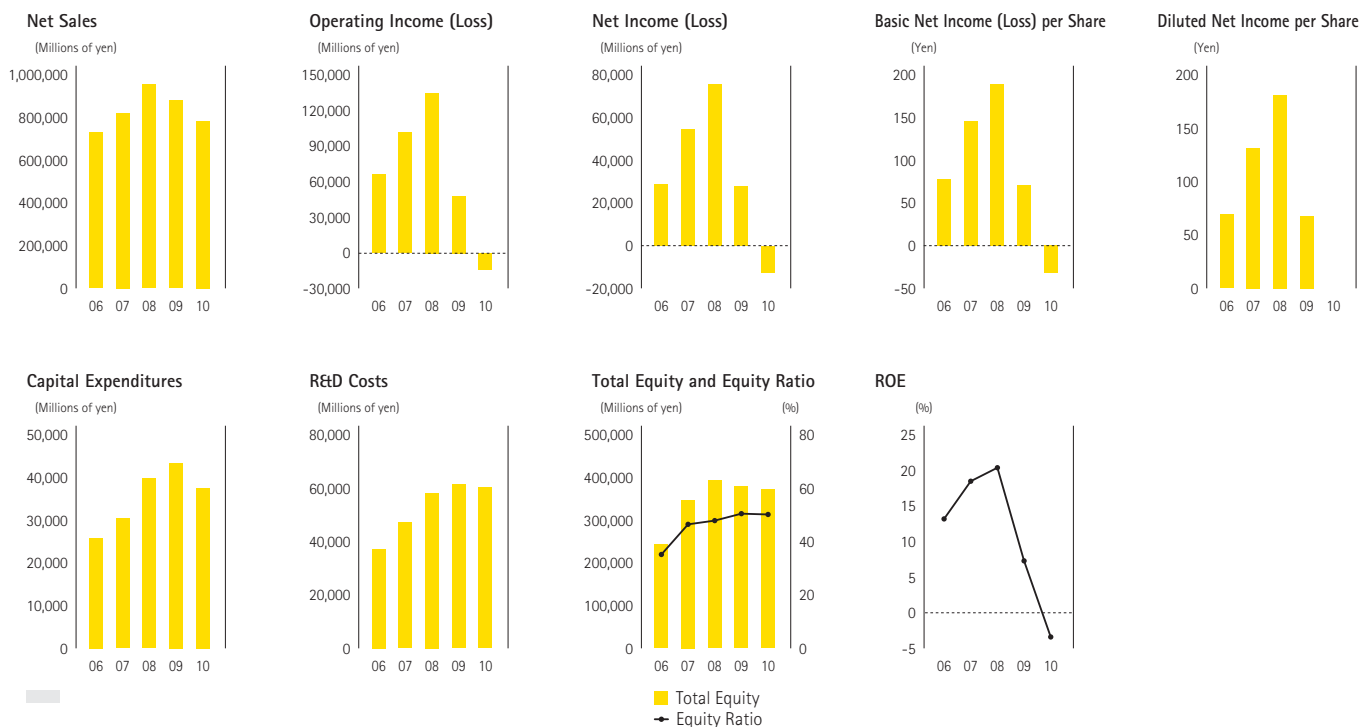
Nikon Corporation and Consolidated Subsidiaries  
Years ended March 31

	Millions of Yen					Thousands of U.S. Dollars
	2010	2009	2008	2007	2006	2010
<b>For the year</b>						
Net sales	¥785,499	¥879,719	¥955,792	¥822,813	¥730,944	\$8,442,593
Cost of sales	552,409	561,642	551,551	494,663	468,944	5,937,326
Selling, general and administrative expenses	246,944	269,892	269,072	226,143	195,413	2,654,172
Operating income (loss)	(13,854)	48,185	135,169	102,007	66,587	(148,905)
Income (loss) before income taxes	(17,672)	39,180	116,704	87,813	40,925	(189,937)
Net income (loss)	(12,615)	28,056	75,484	54,825	28,945	(135,590)
<b>Per share of common stock (yen and U.S. dollars):</b>						
Basic net income (loss)	¥(31.82)	¥70.76	¥189.00	¥146.36	¥78.16	\$(0.34)
Diluted net income	–	67.91	181.23	131.42	69.33	–
Cash dividends applicable to the year	8.00	18.00	25.00	18.00	10.00	0.09
Capital expenditures	¥37,525	¥43,467	¥39,829	¥30,432	¥25,817	\$403,324
Depreciation and amortization	35,956	32,910	25,678	22,625	20,760	386,457
R&D costs	60,261	61,489	58,373	47,218	37,139	647,689
<b>At year-end</b>						
Total assets	¥740,632	¥749,805	¥820,622	¥748,939	¥690,920	\$7,960,364
Total equity	372,070	379,087	393,126	348,445	243,122	3,999,031
<b>Financial ratios</b>						
Equity ratio (%)	50.2	50.5	47.9	46.5	35.2	
ROE (%)	(3.4)	7.3	20.4	18.5	13.2	
ROA (%)	(1.7)	3.6	9.6	7.6	4.4	

Notes: 1. Per share of common stock information 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 ¥93.04 to U.S. \$1.00, the exchange rate at March 31, 2010.

3. Throughout this annual report, ROE is calculated as net income (loss) divided by average shareholders' equity, and ROA is calculated as net income (loss) divided by average total assets.



## Management's Discussion and Analysis

Nikon Corporation and Consolidated Subsidiaries  
For the year ended March 31, 2010

### Business Environment

Business conditions remained tight during the consolidated fiscal year ended March 31, 2010. Despite recovery in certain market areas, business was strained by curbs on corporate capital expenditures, sluggish consumer spending, and the impact from the appreciation of the yen.

In the Precision Equipment Business, the market scale for IC and LCD steppers and scanners shrank to approximately half its sales volume of a year earlier, due mainly to the decline in global demand for semiconductor devices, and curbs on capital expenditures by LCD panel manufacturers. Demand showed signs of recovery from the second half of the period, but unit sales decreased for both IC and LCD steppers and scanners.

In the Imaging Products Business, the market for digital SLR cameras regained a growth track, while demand also recovered in the compact digital camera market, which had been on a declining trend. Nikon's performance exceeded that of the market due to the introduction of a new flagship model of digital SLR camera, and efforts to introduce the joy of photography.

In the Instruments Business, sales of products for the industrial instruments market was sluggish due to continued curbs on capital expenditures stemming from the economic downturn. Products in the bioscience field benefited from robust markets in Japan, the United States and Asia, mainly for areas concerned with live cells. The outlook for future growth in the bioscience brightened due to such factors as expectation for R&D-related capital expenditures in the United States.

In all its main businesses, Nikon focused on new product development to exceed the expectations of customers, pursue new business and explore new fields, as well as develop and cultivate markets in emerging countries.

### Financial Performance

The Nikon Group, under the guidance of the Management Reform Committee, established to respond to rapid changes in the business climate, took steps to reform its business and earnings structures. These included reorganizing and consolidating development, sales and service sites in Japan and overseas, optimizing inventories, and building a production structure capable of withstanding further appreciation of the yen. Despite these efforts, net sales for the subject fiscal year decreased ¥94,220 million (10.7%) from the previous fiscal year to ¥785,499 million, and the Company posted an operating loss of ¥13,854 million (compared to operating income of ¥48,185 million the previous

fiscal year), and a net loss of ¥12,615 million (compared to net income of ¥28,056 million). The net loss per share was ¥31.82.

### Income Analysis

Years ended March 31, 2010 and 2009

	% of Net Sales	
	2010	2009
Net sales	100.0%	100.0%
Cost of sales	(70.3)	(63.8)
Gross profit	29.7	36.2
SG&A expenses	(31.4)	(30.7)
Operating income (loss)	(1.7)	5.5
Net interest expense and dividend income	0.0	0.1
Net other expenses	(0.5)	(1.1)
Income (loss) before income taxes	(2.2)	4.5
Income taxes	0.6	(1.3)
Net income (loss)	(1.6)	3.2

Note: Expenses, losses and subtractive amounts are in parentheses.

### Performance by Business Segment

#### Business Segment Results

In the Precision Equipment Business segment, Nikon stepped up sales efforts for leading-edge equipment models, centered on the NSR-S610C ArF immersion scanner, as well as for the NSR-S620 ArF immersion scanner that meets more stringent miniaturization requirements for line widths of 32 nm and beyond in double patterning. In the area of LCD steppers and scanners, the Company expanded sales efforts for the FX-101S scanner, which is compatible with 10th generation large glass plates, as well as for devices optimally suited to the production of the small to medium-sized high-precision liquid crystal displays used in cell phones and automotive electronic devices. We also advanced successfully into the Chinese market, where rapid expansion is expected. As part of its cost containment program, the Company took steps to reduce fixed costs by shortening manufacturing periods and adopting common platforms, as well as by reorganizing and consolidating domestic manufacturing subsidiaries. As a result, net sales in the Precision Equipment Business segment amounted to ¥150,101 million (down 31.7% year on year), and the segment posted an operating loss of ¥58,557 million (compared to operating income of ¥8,041 million the previous fiscal year).

In the Imaging Products Business segment, sales of digital SLR cameras were steady for the high-end D3S model and mid-range D3000 and D5000 models. Unit sales of compact digital cameras increased, centered on the COOLPIX S220. We also launched the COOLPIX S1000pj, a compact digital camera with

an ultra-small built-in projector, and sales were boosted by this new way to enjoy images. Sales of interchangeable lenses rose, as both camera kits and high-priced lenses performed strongly. Nikon also acquired a stake in the Malaysian precision component manufacturer Notion VTec Berhad, helping to establish a production system capable of withstanding further appreciation of the yen by streamlining component procurement, expanding procurement in foreign currency. Consequently, net sales in the Imaging Products Business segment declined to ¥569,465 million (down 4.5% year on year), although operating income rose to ¥52,117 million (up 30.2%).

In the Instruments Business segment, for the bioscience market the Company expanded sales efforts for the ECLIPSE Ti inverted research microscope and other system products for the live cells field, while for the industrial instruments market we worked to increase sales of the new CNC video measuring system and other products. Nikon also incorporated Metris NV (currently Nikon Metrology NV) in its scope of consolidation, making the Belgian manufacturer of precision measuring equipment a wholly owned subsidiary through acquisition of its outstanding shares in expectation of a synergistic benefit from combination with Nikon's product families. As a result, net sales in the Instruments Business segment amounted to ¥45,051 million (up 0.9% year on year), but the segment posted an operating loss of ¥9,331 million (compared to an operating loss of ¥2,724 million the previous fiscal year), due mainly to temporary expenses incurred from the incorporation of Nikon Metrology NV in the scope of consolidation.

In the Other Business segment, the customized products business recorded an increase in the sales of space-related products, but sales of optical components and other products fell, due mainly to the deterioration in market conditions. The glass-related business posted steady sales from LCD photomask substrates, although sales in the sport optics products business declined. Consequently, net sales in the Other Business segment amounted to ¥20,882 million (up 11.7% year on year), with operating income of ¥1,685 million (down 41.4%).

For the component ratio of sales by business segment, the Precision Equipment Business accounted for 19.1% (compared to 25.0% the previous fiscal year), the Imaging Products Business 72.5% (67.8%), the Instruments Business 5.7% (5.1%), and Other Business 2.7% (2.1%).

### Geographic Segment Results

Looking at results by geographic segment, sales in Japan decreased sharply, North America was down slightly, and Europe also declined, while sales in China and other areas of Asia/Oceania increased.

As a result, in Japan, net sales amounted to ¥188,704 million (down 27.4% year on year), with an operating loss of ¥32,147 million. In North America, net sales totaled ¥256,618 million (down 5.8%), with operating income doubling year on year to ¥6,103 million. In Europe, net sales were ¥193,849 million (down 11.5%), with an operating loss of ¥1,754 million. In Asia/Oceania, net sales amounted to ¥146,328 million (up 14.1%), with operating income of ¥12,963 million.

### Net Sales by Industry Segment

Years ended March 31, 2010 and 2009

	Millions of Yen, %		Thousands of U.S. Dollars
	2010	2009	2010
Precision Equipment	<b>¥150,101</b>	¥219,915	<b>\$1,613,295</b>
Share of net sales	<b>19.1%</b>	25.0%	
Imaging Products	<b>569,465</b>	596,468	<b>6,120,643</b>
Share of net sales	<b>72.5</b>	67.8	
Instruments	<b>45,051</b>	44,643	<b>484,214</b>
Share of net sales	<b>5.7</b>	5.1	
Other	<b>20,882</b>	18,693	<b>224,441</b>
Share of net sales	<b>2.7</b>	2.1	
Total	<b>¥785,499</b>	¥879,719	<b>\$8,442,593</b>

### Financial Position

Total assets at March 31, 2010, amounted to ¥740,632 million, a decline of ¥9,173 million from the end of the previous fiscal year. Total current assets decreased ¥34,311 million to ¥484,624 million, due mainly to a decline in inventories, which offset an increase in cash and cash equivalents. Noncurrent assets (net property, plant and equipment plus total investments and other assets) expanded ¥25,138 million to ¥256,008 million, due mainly to increases in goodwill and investment securities included in total investments and other assets.

Total liabilities amounted to ¥368,562 million, a decline of ¥2,156 million from the end of the previous fiscal year. Total current liabilities rose ¥10,492 million to ¥299,827 million, due mainly to an increase in notes and accounts payable—trade, while long-term liabilities decreased ¥12,648 million to ¥68,735 million, due mainly to a reduction in long-term debt.

Total equity amounted to ¥372,070 million, a decline of ¥7,017 million, primarily because of a drop in retained earnings. The equity ratio decreased 0.3 percentage point from the end of the previous fiscal year to 50.2%.

### Balance Sheet Analysis

March 31, 2010 and 2009

	% of Total Assets	
	2010	2009
Total assets	100.0%	100.0%
Total current assets	65.4	69.2
Inventories	27.9	35.4
Property, plant and equipment	16.9	16.8
Investments and other assets	17.7	14.0
Total current liabilities	40.5	38.6
Short-term borrowings	2.0	4.8
Long-term debt, less current portion	5.6	8.7
Total equity	50.2	50.6

### Cash Flow Analysis

Net cash provided by operating activities amounted to ¥103,497 million in the fiscal year ended March 31, 2010. This was due mainly to ¥35,170 million in depreciation and amortization and a decrease of ¥57,391 million in inventories, against the loss before income taxes of ¥17,672 million.

Net cash used in investing activities amounted to ¥47,108 million. This primarily reflected ¥33,636 million in expenditures for purchases of property, plant and equipment and ¥9,429 million for the purchase of outstanding shares in Nikon Metrology NV, against ¥8,212 million in proceeds from a compensation payment stemming from an expropriation claim.

Net cash used in financing activities amounted to ¥31,477 million. This was mainly due to ¥10,000 million for the redemption of bonds, a net decrease of ¥20,000 million in commercial paper and repayment of long-term debt of ¥10,199 million, against proceeds from the issuance of bonds of ¥19,894 million.

As a result, the balance of cash and cash equivalents at the end of the fiscal year ended March 31, 2010 amounted to ¥104,670 million, an increase of ¥24,864 million from the end of the previous fiscal year.

### 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, the Company 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, 2010, in view of the declines in both sales and income, Nikon set the year-end dividend at ¥4 per share, a decrease of ¥1.5 from the previous fiscal year. As a result, cash dividends for the full fiscal year ended March 31, 2010 totaled ¥8 per share, including a ¥4 interim dividend.

For the fiscal year ending March 31, 2011, Nikon plans to pay total dividends of ¥19 per share, including a ¥5 interim dividend.

## Consolidated Balance Sheets

Nikon Corporation and Consolidated Subsidiaries  
March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents (Note 14)	¥104,670	¥ 79,806	\$1,124,995
Notes and accounts receivable—trade (Note 14):			
Customers	112,292	120,572	1,206,923
Unconsolidated subsidiaries and associated companies	1,481	584	15,920
Allowance for doubtful receivables	(8,328)	(7,005)	(89,515)
Inventories (Note 4)	206,996	265,215	2,224,806
Deferred tax assets (Note 11)	47,789	33,299	513,637
Other current assets	19,724	26,464	212,008
Total current assets	<u>484,624</u>	<u>518,935</u>	<u>5,208,774</u>
<b>Property, plant and equipment (Note 5)</b>			
Land	15,034	14,970	161,584
Buildings and structures	109,360	106,494	1,175,408
Machinery and equipment	163,452	156,267	1,756,794
Furniture and fixtures	59,476	53,600	639,247
Lease assets	13,946	11,673	149,891
Construction in progress	11,837	6,860	127,243
Total	<u>373,105</u>	<u>349,864</u>	<u>4,010,167</u>
Accumulated depreciation	<u>(248,060)</u>	<u>(223,791)</u>	<u>(2,666,170)</u>
Net property, plant and equipment	<u>125,045</u>	<u>126,073</u>	<u>1,343,997</u>
<b>Investments and other assets</b>			
Investment securities (Notes 3, 6 and 14)	53,900	41,670	579,321
Investments in and advances to unconsolidated subsidiaries and associated companies	9,880	9,136	106,196
Long-term loans to employees and other	927	87	9,964
Software	19,067	16,010	204,932
Goodwill	14,853	157	159,644
Security deposit	2,862	3,131	30,757
Deferred tax assets (Note 11)	18,874	22,853	202,863
Other	11,400	11,813	122,516
Allowance for doubtful receivables	(800)	(60)	(8,600)
Total investments and other assets	<u>130,963</u>	<u>104,797</u>	<u>1,407,593</u>
<b>Total</b>	<u>¥740,632</u>	<u>¥749,805</u>	<u>\$7,960,364</u>

See Notes to Consolidated Financial Statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Short-term borrowings (Notes 6 and 14)	¥ 14,899	¥ 35,770	\$ 160,135
Current portion of long-term debt (Notes 6 and 14)	46,381	13,607	498,511
Notes and accounts payable—trade (Note 14):			
Suppliers	125,113	118,888	1,344,722
Unconsolidated subsidiaries and associated companies	574	582	6,170
Income taxes payable (Note 14)	3,503	2,947	37,654
Accrued expenses (Note 14)	48,626	44,467	522,635
Advances received	36,411	46,125	391,352
Other current liabilities (Note 11)	24,320	26,949	261,384
Total current liabilities	<u>299,827</u>	<u>289,335</u>	<u>3,222,563</u>
<b>Long-term liabilities</b>			
Long-term debt (Notes 6 and 14)	41,108	65,563	441,826
Liability for employees' retirement benefits (Note 7)	17,207	14,022	184,946
Retirement allowances for directors and corporate auditors (Note 2 (k))	602	470	6,475
Suspense receipt by expropriation	8,173		87,844
Other long-term liabilities (Note 11)	1,645	1,328	17,679
Total long-term liabilities	<u>68,735</u>	<u>81,383</u>	<u>738,770</u>
<b>Commitments and contingent liabilities</b> (Notes 13, 15, and 16)			
<b>Equity</b>			
Common stock (Note 8):			
Authorized—1,000,000,000 shares; issued, 400,878,921 shares in 2010 and 2009	65,476	65,476	703,739
Capital surplus (Note 8)	80,712	80,712	867,493
Stock acquisition rights (Note 9)	327	233	3,511
Retained earnings (Note 8)	248,369	264,828	2,669,485
Unrealized gain (loss) on available-for-sale securities	6,061	(2,430)	65,140
Deferred loss on derivatives under hedge accounting	(31)	(916)	(330)
Foreign currency translation adjustments	(15,490)	(15,377)	(166,479)
Treasury stock—at cost:			
4,458,536 shares in 2010 and 4,472,250 shares in 2009	(13,354)	(13,439)	(143,528)
Total	<u>372,070</u>	<u>379,087</u>	<u>3,999,031</u>
Total equity	<u>372,070</u>	<u>379,087</u>	<u>3,999,031</u>
<b>Total</b>	<u>¥740,632</u>	<u>¥749,805</u>	<u>\$7,960,364</u>

## Consolidated Statements of Operations

Nikon Corporation and Consolidated Subsidiaries  
Years ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010
<b>Net sales</b>	<b>¥785,499</b>	<b>¥879,719</b>	<b>\$8,442,593</b>
<b>Cost of sales</b>	<b>552,409</b>	<b>561,642</b>	<b>5,937,326</b>
Gross profit	233,090	318,077	2,505,267
<b>Selling, general and administrative expenses (Note 10)</b>	<b>246,944</b>	<b>269,892</b>	<b>2,654,172</b>
Operating income (loss)	(13,854)	48,185	(148,905)
<b>Other income (expenses)</b>			
Interest and dividend income	1,251	2,207	13,447
Interest expense	(1,226)	(1,091)	(13,177)
Cash discount	(3,958)	(4,410)	(42,536)
Loss on disposals of property, plant and equipment	(451)	(1,891)	(4,845)
Loss on impairment of fixed assets (Note 5)	(115)	(721)	(1,240)
Loss on sales of investment securities	(13)		(143)
Loss on valuation of investment securities	(220)	(5,930)	(2,367)
Gain on sales of property, plant and equipment	82	70	886
Gain on sales of investment securities	98		1,052
Non-recurring depreciation on noncurrent assets	(86)		(925)
Environmental expenses	(206)		(2,214)
Loss on restructuring of business	(1,422)		(15,280)
Equity in earnings of unconsolidated subsidiaries and associated companies	992	1,022	10,666
Other—net	1,456	1,739	15,644
Other expenses—net	(3,818)	(9,005)	(41,032)
Income (loss) before income taxes	(17,672)	39,180	(189,937)
<b>Income taxes (Note 11):</b>			
Current	8,293	12,668	89,142
Deferred	(13,350)	(1,544)	(143,489)
Total income taxes	(5,057)	11,124	(54,347)
Net income (loss)	<b>¥ (12,615)</b>	<b>¥ 28,056</b>	<b>\$ (135,590)</b>
	Yen		U.S. Dollars (Note 1)
<b>Per share of common stock (Notes 2 (t) and 17):</b>			
Basic net income (loss)	<b>¥(31.82)</b>	<b>¥70.76</b>	<b>\$(0.34)</b>
Diluted net income		67.91	
Cash dividends applicable to the year	<b>8.00</b>	<b>18.00</b>	<b>0.09</b>

See Notes to Consolidated Financial Statements.



# Consolidated Statements of Changes in Equity

Nikon Corporation and Consolidated Subsidiaries  
Years ended March 31, 2010 and 2009

	Thousands		Millions of Yen								
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Total Equity
<b>BALANCE, March 31, 2008</b>	399,393	¥ 64,676	¥ 79,912	¥ 147	¥ 245,255	¥10,389	¥ (12)	¥ (5,884)	¥ (1,357)	¥ 393,126	¥ 393,126
Adjustment of retained earnings due to an adoption of PITF No. 18 (Note 2. (b))					2,008					2,008	2,008
Conversion of convertible bonds	777	800	800							1,600	1,600
Net income					28,056					28,056	28,056
Cash dividends, ¥26.0 per share					(10,347)					(10,347)	(10,347)
Purchase of treasury stock	(3,849)								(12,338)	(12,338)	(12,338)
Disposal of treasury stock	85				(144)				256	112	112
Net change in the year				86		(12,819)	(904)	(9,493)		(23,130)	(23,130)
<b>BALANCE, March 31, 2009</b>	396,406	65,476	80,712	233	264,828	(2,430)	(916)	(15,377)	(13,439)	379,087	379,087
Net loss					(12,615)					(12,615)	(12,615)
Cash dividends, ¥9.5 per share					(3,766)					(3,766)	(3,766)
Purchase of treasury stock	(30)								(46)	(46)	(46)
Disposal of treasury stock	44				(78)				131	53	53
Net change in the year				94		8,491	885	(113)		9,357	9,357
<b>BALANCE, March 31, 2010</b>	<u>396,420</u>	<u>¥65,476</u>	<u>¥80,712</u>	<u>¥327</u>	<u>¥248,369</u>	<u>¥6,061</u>	<u>¥(31)</u>	<u>¥(15,490)</u>	<u>¥(13,354)</u>	<u>¥372,070</u>	<u>¥372,070</u>

	Thousands of U.S. Dollars (Note 1)									
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Total Equity
<b>BALANCE, March 31, 2009</b>	\$ 703,739	\$ 867,493	\$ 2,506	\$ 2,846,385	\$ (26,110)	\$ (9,842)	\$ (165,275)	\$ (144,444)	\$ 4,074,452	\$ 4,074,452
Net loss				(135,590)					(135,590)	(135,590)
Cash dividends, U.S.\$0.102 per share				(40,475)					(40,475)	(40,475)
Purchase of treasury stock								(492)	(492)	(492)
Disposal of treasury stock				(835)				1,408	573	573
Net change in the year			1,005		91,250	9,512	(1,204)		100,563	100,563
<b>BALANCE, March 31, 2010</b>	<u>\$703,739</u>	<u>\$867,493</u>	<u>\$3,511</u>	<u>\$2,669,485</u>	<u>\$65,140</u>	<u>\$ (330)</u>	<u>\$(166,479)</u>	<u>\$(143,528)</u>	<u>\$3,999,031</u>	<u>\$3,999,031</u>

See Notes to Consolidated Financial Statements.

# Consolidated Statements of Cash Flows

Nikon Corporation and Consolidated Subsidiaries  
Years ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010
<b>Operating activities:</b>			
Income (loss) before income taxes	¥(17,672)	¥ 39,180	\$ (189,937)
Adjustments for:			
Income taxes—refund (paid)	2,690	(53,287)	28,916
Loss on impairment of fixed assets	546	721	5,864
Provision for doubtful receivables	448	4,306	4,812
Depreciation and amortization	35,170	32,892	378,013
Provision for employees' retirement benefits	3,258	1,021	35,013
Provision for (reversal of) retirement allowance for directors and corporate auditors	133	(63)	1,427
Gain on sales of property, plant and equipment	(68)	(32)	(734)
Loss on disposal of property, plant and equipment	564	1,891	6,059
Gain on sales of investment securities	(85)		(908)
Loss on valuation of investment securities	220	5,930	2,367
Other—net	8,755	2,636	94,101
Change in assets and liabilities:			
Decrease in notes and accounts receivable—trade	9,135	26,694	98,180
Decrease (increase) in inventories	57,391	(7,849)	616,837
Increase (decrease) in notes and accounts payable—trade	5,219	(56,885)	56,094
Other—net	(2,207)	12,957	(23,708)
Total adjustments	121,169	(29,068)	1,302,333
Net cash provided by operating activities	103,497	10,112	1,112,396
<b>Investing activities:</b>			
Purchases of property, plant and equipment	(33,636)	(31,035)	(361,519)
Proceeds from sales of property, plant and equipment	621	587	6,676
Purchases of investment securities	(1,151)	(3,441)	(12,368)
Proceeds from sales of investment securities	771		8,287
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(9,429)		(101,342)
Proceeds from compensation for expropriation	8,212		88,263
Net decrease (increase) in loans receivable	359	(325)	3,863
Other—net	(12,855)	(10,304)	(138,179)
Net cash used in investing activities	(47,108)	(44,518)	(506,319)
<b>Financing activities:</b>			
Net (decrease) increase in short-term borrowings	(25,335)	27,432	(272,307)
Proceeds from long-term debt	21,124	11,700	227,037
Repayments of long-term debt	(20,200)	(7,819)	(217,106)
Purchase of treasury stock	(46)	(12,338)	(493)
Dividends paid	(3,771)	(10,338)	(40,536)
Other—net	(3,249)	(2,863)	(34,909)
Net cash (used in) provided by financing activities	(31,477)	5,774	(338,314)
Foreign currency translation adjustments on cash and cash equivalents	(48)	(4,520)	(533)
Net increase (decrease) in cash and cash equivalents	24,864	(33,152)	267,230
Cash and cash equivalents of merged previously non-consolidated subsidiary		(0)	
Cash and cash equivalents, beginning of year	79,806	112,958	857,765
Cash and cash equivalents, end of year	¥104,670	¥ 79,806	\$1,124,995
<b>Non-cash investing and financing activities</b>			
Convertible bonds converted into common stock		¥ 800	
Convertible bonds converted into capital surplus		800	
Lease assets recognized under "Accounting Standard for Lease Transactions"		11,921	
Lease obligations recognized under "Accounting Standard for Lease Transactions"		11,921	

## (Additional information)

Nikon acquired the stock of Metris NV as of August 5, 2009. As a result, Metris NV and its 22 subsidiaries became consolidated subsidiaries of Nikon.

A reconciliation between assets and liabilities of newly consolidated subsidiaries at the date of acquisition, cash paid for the capital and payment for acquisition of shares of newly consolidated subsidiaries, net of cash and cash equivalents acquired, are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 5,202	\$ 55,908
Fixed assets	7,797	83,806
Goodwill	15,498	166,578
Current liabilities	(10,433)	(112,139)
Long-term liabilities	(8,052)	(86,540)
Cost of acquisition	10,012	107,613
Cash and cash equivalents	(583)	(6,271)
Payment for acquisition of shares of newly consolidated subsidiaries	¥ 9,429	\$101,342

See Notes to Consolidated Financial Statements.

# Notes to Consolidated Financial Statements

Nikon Corporation and Consolidated Subsidiaries  
Years ended March 31, 2010 and 2009

## 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition,

certain reclassifications have been made in the 2009 financial statements to conform to the classifications used in 2010.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Nikon Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥93.04 to \$1, the approximate rate of exchange at March 31, 2010. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

## 2. Summary of Significant Accounting Policies

### (a) Consolidation

The consolidated financial statements as of March 31, 2010 include the accounts of the Company and its 69 significant (48 in 2009) subsidiaries (together, the "Group"). This increase includes Nikon Metrology NV and its subsidiaries. Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 2 associated companies (2 associated companies in 2009) are accounted for by the equity method. Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiaries at the date of acquisition ("goodwill") is charged to income when incurred, if the amounts are immaterial, otherwise the amounts are amortized on a straight-line basis principally over 10 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

### (b) Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted

in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained. PITF No. 18 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Company applied this accounting standard effective April 1, 2008. In addition, the Company adjusted the beginning balance of retained earnings at April 1, 2008 as if this accounting standard had been retrospectively applied.

### (c) Business Combination

In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations", and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures".

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

For the fiscal year ended March 31, 2010, the Company acquired 100% of the outstanding shares of Metris NV and accounted for it by the purchase method accounting. The related goodwill is systematically amortized over 10 years.

**(d) Cash Equivalents**

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificates of deposit, commercial paper and mutual funds invested in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

**(e) Investment Securities**

Investment securities are classified and accounted for, depending on management's intent, as follows:

- i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost and
- ii) available-for-sale securities, which are not classified as held to maturity securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

The Company records investments in limited liability investment partnerships (deemed "investment securities" under the provisions set forth in Article 2 Item 2 of the Financial Instruments and Exchange Law) using the amount of interest in such partnerships calculated based on ownership percentage and the most recent financial statements on the report date stipulated in the partnership agreement.

**(f) Inventories**

Inventories of the Company and its domestic subsidiaries are stated at the lower of cost, determined principally by the average method, or net selling value. Inventories of foreign subsidiaries are stated at the lower of cost or market as determined principally using the average method.

**(g) Property, Plant and Equipment**

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is principally computed by the declining-balance method, while the straight-line method is applied to buildings (excluding facilities incidental to buildings), and foreign subsidiaries apply the straight-line method, using rates based on the estimated useful lives of the assets. The range of useful lives is principally from 30 to 40 years for buildings and from 5 to 10 years for machinery. The useful lives for lease assets are the terms of the respective leases.

**(h) Long-lived Assets**

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group.

The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

**(i) Investment Property**

In November 2008, the ASBJ issued ASBJ Statement No. 20 "Accounting Standard for Investment Property and Related Disclosures" and issued ASBJ Guidance No. 23 "Guidance on Accounting Standard for Investment Property and Related Disclosures". This accounting standard and the guidance are applicable to investment property and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Company applied the new accounting standard and guidance effective March 31, 2010.

**(j) Retirement and Pension Plans**

The Company has a defined benefit corporate pension plan (cash balance plan) and a defined contribution pension plan and its consolidated domestic subsidiaries have non-contributory funded pension plans. Certain foreign subsidiaries also have contributory pension plans.

The Group accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. Retirement allowances for officers are recorded to state the liability at the amount that would be required if all officers retired at each balance sheet date.

As stated in 2 (b), the Company adjusted the amortization of actuarial gain or loss of pensions that has been directly recorded in the equity by foreign subsidiaries including the United States in the consolidation process so that net income is accounted for in accordance with Japanese GAAP.

In July 2008, the Accounting Standards Board of Japan (ASBJ) issued an Accounting Standard—ASBJ Statement No. 19 Partial Amendments to Accounting Standard for Retirement Benefits (Part 3). The objective of the Accounting Standard is to remove the treatment, which provides that an entity may use the discount rate determined taking into consideration fluctuations in the yield of bonds over a certain period, in Note 6 of interpretive notes to the Accounting Standard for Retirement Benefits.

**(k) Retirement Allowances for Directors and Corporate Auditors**

Retirement allowances for directors and corporate auditors are recorded to state the liability at the amount that would be required if all directors and corporate auditors retired at each balance sheet date.

**(l) Stock Options**

In December 2005, the ASBJ issued ASBJ Standard No. 8, "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of

either the stock option or the goods or services received. In the balance sheet, the stock options are presented as stock acquisition rights as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

The Company applied the new accounting standard for stock options to those granted on and after May 1, 2006.

#### **(m) Research and Development Costs**

The Group is active in research and development, and such costs are charged to income as incurred.

#### **(n) Leases**

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be measured at the obligations under finance leases less interest expense at the transition date and recorded as acquisition cost of lease assets.

The Company and its domestic subsidiaries applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as acquisition cost of lease assets measured at the obligations under finance leases less interest expense at the transition date. There was no effect on profit or loss from this change.

All other leases are accounted for as operating leases.

#### **(o) Bonuses to Directors and Corporate Auditors**

Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

#### **(p) Income Taxes**

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

The Group files a tax return under the consolidated corporate-tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries effective April 1, 2009.

#### **(q) Foreign Currency Transactions**

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

#### **(r) Foreign Currency Financial Statements**

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of balance sheet date except for equity, which is translated at the historical exchange rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

#### **(s) Derivatives and Hedging Activities**

The Group enters into derivative financial instruments ("derivatives"), including foreign exchange forward contracts, currency options, foreign currency swaps and interest rate swaps to hedge foreign exchange risk and interest rate exposures. The Group does not hold or issue derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives are recognized principally as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the statements of income and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign exchange forward contracts and currency option contracts employed to hedge foreign exchange exposures for export sales and purchases are measured at fair value and the related unrealized gains or losses are recognized in income. Forward contracts entered into for forecasted transactions are also measured at fair value, but the unrealized gains or losses on qualifying hedges are deferred until the underlying transactions are completed. The foreign currency swaps used to hedge the foreign currency fluctuations of long-term debt denominated in foreign currencies are measured at fair value and the unrealized gains or losses are included in the carrying amounts of the debt. The interest rate swaps which qualify for hedge accounting are measured at market value at the balance sheet date, and the unrealized gains or losses are deferred until maturity. The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

### (t) Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

### (u) New Accounting Pronouncements

**Business Combinations**—In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations". Major accounting changes under the revised accounting standard are as follows;

- (1) The current accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires to account for such business combination by the purchase method and the pooling of interests method of accounting is no longer allowed.
- (2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, an in-process research and development (IPR&D) acquired by the business combination is capitalized as an intangible asset.
- (3) The current accounting standard accounts for a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

**Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method**—The current accounting standard requires to unify accounting policies within the consolidation group. However, the current guidance allows to apply the equity method for the financial statements of its foreign associated company which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions without unification of accounting policies.

In December 2008, the ASBJ issued ASBJ Statement No. 16 (Revised 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments". The new standard requires adjustments to be made to

conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained.

This standard is applicable to equity method of accounting for investments effective on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

**Asset Retirement Obligations**—In March 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations". Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

**Accounting Changes and Error Corrections**—In December 2009, ASBJ issued ASBJ Statement No. 24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24 "Guidance



on Accounting Standard for Accounting Changes and Error Corrections". Accounting treatments under this standard and guidance are as follows;

(1) Changes in Accounting Policies

When a new accounting policy is applied with revision of accounting standards, a new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentations

When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior Period Errors

When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

**Segment Information Disclosures**—In March 2008, the ASBJ revised ASBJ Statement No. 17 "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20 "Guidance on Accounting Standard for Segment Information Disclosures". Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

### 3. Investment Securities

Investment securities at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Non-Current:			
Equity securities	¥52,974	¥40,718	\$569,364
Debt securities	0	0	3
Investment in a limited liability investment partnership	926	952	9,954
Total	¥53,900	¥41,670	\$579,321

The carrying amounts and aggregate fair values of investment securities at March 31, 2010 and 2009 were as follows:

	Millions of Yen			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
March 31, 2010				
Securities classified as:				
Available-for-sale:				
Equity securities	¥44,905	¥13,593	¥5,748	¥52,750
Total	¥44,905	¥13,593	¥5,748	¥52,750

	Millions of Yen			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
<b>March 31, 2009</b>				
Securities classified as:				
Available-for-sale:				
Equity securities	¥44,707	¥3,822	¥8,211	¥40,318
Total	¥44,707	¥3,822	¥8,211	¥40,318
	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>March 31, 2010</b>				
Securities classified as:				
Available-for-sale:				
Equity securities	\$482,647	\$146,098	\$61,788	\$566,957
Total	\$482,647	\$146,098	\$61,788	\$566,957

Carrying amounts of available-for-sale securities whose fair value is not readily determinable as of March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Available-for-sale:			
Equity securities	¥ 224	¥ 400	\$ 2,407
Investment in a limited liability investment partnership	926	952	9,954
Total	¥1,150	¥1,352	\$12,361

Proceeds from sales of available-for-sale securities were ¥771 million for the fiscal year ended March 31, 2010. Gross realized gains and losses on these sales computed on the moving average cost basis, were ¥98 million and ¥13 million, respectively for the fiscal year ended March 31, 2010. There were no proceeds from sales of available and realized gains and losses on these sales for the fiscal year ended March 31, 2009.

#### 4. Inventories

Inventories at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Finished and semi-finished products	¥102,912	¥114,143	\$1,106,103
Work in process	78,654	122,961	845,381
Raw materials and supplies	25,430	28,111	273,322
Total	¥206,996	¥265,215	\$2,224,806



## 5. Long-lived Assets

The Group reviewed its long-lived assets for impairment as of March 31, 2009 and recognized an impairment loss of ¥721 million as other expense for land, building, machinery and equipment in Japan, Asia and Europe. This is because the recoverable amounts of the land and building were lower than the carrying amounts, and the machinery and equipment were not planned for use in the future after production of the relevant products ceased.

The Group reviewed its long-lived assets for impairment as of March 31, 2010 and recognized an impairment loss of ¥115 million (\$1,240 thousand) as other expense for machinery, equipment, furniture and fixtures in Japan and Asia. This is because these assets were unutilized assets and the recoverable amounts were lower than the carrying amounts.

## 6. Short-term Borrowings and Long-term Debt

Short-term borrowings at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Short-term loans, principally from banks:			
2010: 0.57350%–4.37400%			
2009: 0.95940%–2.60000%	¥14,899	¥15,770	\$160,135
Commercial paper:			
2009: 0.19500%–0.54310%		20,000	
Total	¥14,899	¥35,770	\$160,135

Long-term debt at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Loans, principally from banks and insurance companies:			
2010: 0.7000%–8.5200% due 2010–2016			
2009: 0.9400%–4.3600% due 2010–2016	¥27,003	¥27,360	\$290,230
Obligations under finance leases	7,586	8,910	81,534
Bonds	52,900	42,900	568,573
Total	87,489	79,170	940,337
Less: Current portion	(46,381)	(13,607)	(498,511)
Long-term debt, less current portion	¥41,108	¥65,563	\$441,826

The following is a summary of the terms of bonds which the Company may at any time purchase in any price in the open market or otherwise acquire. The bonds purchased or otherwise acquired by the Company may be held or resold or, at the discretion of the Company, may be canceled (together with any unmatured coupons).

	Issued in	Maturity	Millions of Yen		Thousands of U.S. Dollars
			2010	2009	2010
1.4% Yen Unsecured Bonds	February, 2003	February, 2010		¥10,000	
Yen Zero Coupon Convertible Bonds	March, 2004	March, 2011	¥32,900	32,900	\$353,611
1.3% Yen Unsecured Bonds	June, 2009	June, 2014	10,000		107,481
1.65% Yen Unsecured Bonds	June, 2009	June, 2016	10,000		107,481
Total			¥52,900	¥42,900	\$568,573

The aggregate annual maturities of long-term debt for the years following March 31, 2010 are as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2011	¥46,381	\$498,511
2012	3,805	40,887
2013	6,132	65,909
2014	5,723	61,516
2015	239	2,574
Thereafter	25,209	270,940
Total	¥87,489	\$940,337

The yen zero coupon convertible bonds were issued with stock acquisition rights to subscribe for shares of common stock of the Company.

The stock acquisition rights are exercisable through March 14, 2011 at ¥2,058 per share. The stock acquisition rights outstanding at March 31, 2010 entitled the holders to subscribe to 15,986,394 shares, which was computed using the above-mentioned exercise price.

At March 31, 2010, the following assets were pledged as collateral for the long-term debt.

	Millions of Yen	Thousands of U.S. Dollars
	2010	2010
Investment securities	¥5,004	\$53,781

Liabilities secured by the above assets were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2010	2010
Long-term debt, including current portion	¥6,300	\$67,713

As is customary in Japan, the Company maintains substantial deposit balances with banks with which it has borrowings. Such deposit balances are not legally or contractually restricted as to withdrawal.

General agreements with respective banks provide, as is customary in Japan, that additional collateral must be provided under certain circumstances if requested by such banks and that certain banks have the right to offset cash deposited with them against any long-term or short-term debt or obligation that becomes due and, in case of default and certain other specified events, against all other debts payable to the banks. The Group has never been requested to provide any additional collateral.

## 7. Retirement and Pension Plans

The Company has a defined benefit corporate pension plan (cash balance plan) and a defined contribution pension plan, and its consolidated domestic subsidiaries have non-contributory funded pension plans. Certain foreign subsidiaries also have contributory pension plans.

The Group accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. Retirement allowances for officers are recorded to state the liability at the amount that would be required if all officers retired at each balance sheet date.

As stated in 2 (b), the Company adjusted the amortization of actuarial gain or loss of pensions that has been directly recorded in the equity by foreign subsidiaries including the United States, etc., in the consolidation process so that net income is accounted for in accordance with Japanese GAAP.

The liability for employees' retirement benefits at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Projected benefit obligation	¥106,614	¥108,026	\$1,145,899
Fair value of plan assets	(83,283)	(72,919)	(895,133)
Unrecognized actuarial gain and loss	(14,980)	(30,575)	(161,003)
Unrecognized prior service cost	8,101	8,794	87,067
	16,452	13,326	176,830
Prepayment of service cost	755	696	8,116
Net liability	¥ 17,207	¥ 14,022	\$ 184,946

The projected benefit obligation includes retirement allowance for officers of ¥205 million (\$2,200 thousand) and ¥176 million at March 31, 2010 and 2009, respectively.

The components of net periodic benefit costs for the fiscal years ended March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Service cost	¥3,663	¥3,569	\$39,374
Interest cost	2,889	2,940	31,055
Expected return on plan assets	(1,786)	(2,400)	(19,199)
Recognized actuarial loss	4,993	2,718	53,669
Amortization of prior service cost	(1,768)	(1,851)	(19,015)
Net periodic retirement benefit costs	¥7,991	¥4,976	\$85,884

In addition to the above, the Company and certain of its overseas subsidiaries charged ¥2,151 million (\$23,123 thousand) and ¥1,703 million at the defined contribution pension plan to income for the fiscal years ended March 31, 2010 and 2009, respectively.

Assumptions used for the fiscal years ended March 31, 2010 and 2009 were principally as set forth below:

	2010	2009
Discount rate	2.50%	2.50%
Expected rate of return on plans assets	2.00%	2.00%
Recognition period of actuarial gain (loss)	10 years	10 years
Amortization period of prior service cost	10 years	10 years

## 8. Equity

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

### (a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors of such company may declare dividends (except for dividends

in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

**(b) Increases/Decreases and Transfer of Common Stock, Reserve and Surplus**

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

**(c) Treasury Stock and Treasury Stock Acquisition Rights**

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

**9. Stock Option**

The stock options outstanding as of March 31, 2010 and 2009 were as follows:

Stock Options	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2001 Stock Options	9 directors 13 officers	99,000 shares	2001.6.28	¥1,321	From June 29, 2003 To June 28, 2011
2003 Stock Options	11 directors 11 officers	203,000 shares	2003.6.27	¥1,048	From June 28, 2005 To June 27, 2013
2004 Stock Options	12 directors 10 officers	210,000 shares	2004.6.29	¥1,225	From June 30, 2006 To June 29, 2014
2005 Stock Options	11 directors 10 officers	178,000 shares	2005.6.29	¥1,273	From June 30, 2007 To June 29, 2015
2007 Stock Options	12 directors 12 officers	99,000 shares	2007.3.14	¥2,902	From February 28, 2009 To February 27, 2017
2007 Stock Options	8 directors 15 officers	26,100 shares	2007.8.27	¥ 1	From August 28, 2007 To August 27, 2037
2008 Stock Options	8 directors 16 officers	117,900 shares	2008.11.25	¥ 1	From November 26, 2008 To November 25, 2038
2009 Stock Options	9 directors 15 officers	68,100 shares	2009.8.10	¥ 1	From August 11, 2009 To August 10, 2039

The stock option activity is as follows:

	(Shares)							
	2001 Stock Options	2003 Stock Options	2004 Stock Options	2005 Stock Options	2007 Stock Options	2007 Stock Options	2008 Stock Options	2009 Stock Options
<u>For the year ended March 31, 2009</u>								
<u>Non-vested</u>								
March 31, 2008—Outstanding					99,000		117,900	
Granted								
Canceled								
Vested					99,000		117,900	
March 31, 2009—Outstanding								
<u>Vested</u>								
March 31, 2008—Outstanding	59,000	78,000	164,000	157,000		26,100		
Vested					99,000		117,900	
Exercised	5,000	19,000	13,000	9,000				
Canceled								
March 31, 2009—Outstanding	54,000	59,000	151,000	148,000	99,000	26,100	117,900	
Exercise price	¥ 1,321	¥ 1,048	¥ 1,225	¥ 1,273	¥ 2,902	¥ 1	¥ 1	
Average stock price at exercise	¥ 3,139	¥ 3,145	¥ 3,157	¥ 3,191				
Fair value price at grant date					¥ 840	¥ 3,259	¥ 734	
<u>For the year ended March 31, 2010</u>								
<u>Non-vested</u>								
March 31, 2009—Outstanding								
Granted								68,100
Canceled								
Vested								68,100
March 31, 2010—Outstanding								
<u>Vested</u>								
March 31, 2009—Outstanding	54,000	59,000	151,000	148,000	99,000	26,100	117,900	
Vested								68,100
Exercised	12,000	11,000	15,000	3,000				
Canceled	8,000							
March 31, 2010—Outstanding	34,000	48,000	136,000	145,000	99,000	26,100	117,900	68,100
Exercise price	¥ 1,321	¥ 1,048	¥ 1,225	¥ 1,273	¥ 2,902	¥ 1	¥ 1	¥ 1
Average stock price at exercise	¥ 1,649	¥ 1,581	¥ 1,546	¥ 1,606				
Fair value price at grant date					¥ 840	¥ 3,259	¥ 734	¥ 1,408

The assumptions used to measure the fair value of 2009 Stock Options which were granted on August 10, 2009.

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	47.460%
Estimate remaining outstanding period:	fifteen years
Estimate dividend:	¥18.00 per share
Interest rate with risk free:	1.909%

## 10. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the fiscal years ended March 31, 2010 and 2009 principally consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Advertising expenses	¥63,067	¥74,891	\$677,851
Provision for doubtful receivables	916	4,868	9,851
Provision of warranty costs	5,553	5,833	59,679
Employees' salaries	31,984	32,483	343,771
Net periodic retirement benefit cost	4,456	3,354	47,891
Employees' bonuses and others	13,142	14,851	141,246
Research and development costs	60,261	61,489	647,689

## 11. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.6% for the fiscal years ended March 31, 2010 and 2009.

The tax effects of significant temporary differences and loss carry-forwards which result in deferred tax assets and liabilities at March 31, 2010 and 2009, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Deferred tax assets:			
Write-down of inventories	¥34,434	¥24,869	\$370,099
Warranty reserve	1,855	1,961	19,938
Liability for employees' retirement benefits	9,756	8,128	104,858
Depreciation and amortization	14,802	17,592	159,092
Unrealized loss on available-for-sale securities		2,512	
Accrued bonus	3,539	2,801	38,038
Other	13,985	7,529	150,321
Total	¥78,371	¥65,392	\$842,346
Deferred tax liabilities:			
Deferred gains on sales of property to be replaced	3,874	4,315	41,642
Unrealized gain on available-for-sale securities	1,790		19,238
Undistributed earnings of foreign subsidiaries	4,803	3,858	51,628
Other	1,464	1,254	15,735
Total	¥11,931	¥ 9,427	\$128,243
Net deferred tax assets	¥66,440	¥55,965	\$714,103

A valuation allowance of ¥4,438 million (\$44,702 thousand) in 2010 and ¥3,085 million in 2009 were deducted from the amounts calculated above, respectively.



A reconciliation between the normal effective statutory tax rates, and the actual effective tax rates reflected in the consolidated statements of operations for the fiscal years ended March 31, 2010 and 2009 is as follows:

	Year ended March 31,	
	2010	2009
Normal statutory tax rate	40.6%	40.6%
Tax credit for research and development costs		(4.0)
Tax difference of consolidated subsidiaries	13.1	(6.0)
Amortization of goodwill	(1.8)	
Deferred tax assets for unrealizable profits	(12.3)	
Dividends from foreign subsidiaries not applicable to foreign tax credits		9.1
Increase in valuation allowance		3.5
Tax effect on retained earnings for foreign subsidiaries	(5.4)	(11.2)
Tax benefits for a foreign manufacturing subsidiary		(4.4)
One-time depreciation of work in progress of development costs	(6.7)	
Other—net	1.1	0.8
Actual effective tax rate	28.6%	28.4%

## 12. Research and Development Costs

Research and development costs charged to income were ¥60,261 million (\$647,689 thousand) and ¥61,489 million for the fiscal years ended March 31, 2010 and 2009, respectively.

## 13. Leases

The Group leases mainly certain machinery and equipment for manufacturing.

The minimum rental commitments under noncancellable operating leases at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Due within one year	¥2,292	¥2,258	\$24,636
Due after one year	5,014	2,454	53,892
Total	¥7,306	¥4,712	\$78,528

## 14. Financial Instruments and Related Disclosures

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures". This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

### (1) Group Policy for Financial Instruments

The Group restricts the fund management to short-term deposits, and funding is mainly treated by bank loans and bond issuance. Derivatives are used, not for speculative purposes, but to hedge foreign exchange risk and interest rate exposures.

### (2) Nature and Extent of Risks Arising from Financial Instruments and Risk Management for Financial Instruments

Receivables such as trade notes and trade accounts are exposed to customer credit risk. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment term and balances of major customers by each business administration department to identify the default risk of customers in the early stage. Although receivables in foreign currencies due to global operations are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using forward foreign currency contracts.

Investment securities are exposed to the risk of market price fluctuations but they are managed by monitoring market values and financial position of issuers on a regular basis. In addition securities other than held-to-maturity securities are continually reviewed as to the situation, taking into account the relationship between the Group and trading partners.

Payment terms of payables, such as trade notes and trade accounts, are less than one year. Although payables in foreign currencies which involve the import of raw materials are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are netted against the balance of receivables denominated in the same foreign currency as noted above.

Short-term borrowings are mainly related to working capital and long-term debt is related primarily to working capital and capital investment. Although debts of variable interest rates are exposed to market risks from changes in variable interest rates, some long-term debts among those risks are mitigated by using derivatives of

interest-rate swaps to reduce the risk of fluctuations in interest expenses and to adjust the fixed interest. Please see "Summary of Significant Accounting Policies, (s) Derivatives and Hedging Activities" for more details about hedging.

Derivative transactions entered into by the Group have been made in accordance with internal policies that regulate the authorization and credit limit amount. The counterparties to the Group's derivative contracts are limited to major international financial institutions to reduce credit risk.

Accounts payables and debts are exposed to liquidity risk. The Group manages its liquidity risk to contract commitment line.

### (3) Fair Values of Financial Instruments

Carrying amounts, fair values and the differences between carrying amounts and fair values as of March 31, 2010 are as follows. The accounts deemed to be extremely difficult to calculate the fair values are not included in the following:

March 31, 2010	Millions of Yen			Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥104,670	¥104,670	¥	\$1,124,995	\$1,124,995	\$
Notes and accounts receivables—trade	105,578	105,578		1,134,756	1,134,756	
Investment securities	52,750	52,750		566,957	566,957	
Total	¥262,998	¥262,998	¥	\$2,826,708	\$2,826,708	\$
Short-term borrowings	¥ 14,899	¥ 14,899	¥	\$ 160,135	\$ 160,135	\$
Notes and accounts payables—trade	125,687	125,687		1,350,892	1,350,892	
Long-term loans	27,003	27,552	(549)	290,231	296,126	(5,895)
Accrued expenses	42,177	42,177		453,326	453,326	
Income taxes payable	3,503	3,503		37,654	37,654	
Bonds	52,900	53,019	(119)	568,573	569,853	(1,280)
Derivatives	404	404		4,337	4,337	
Total	¥266,573	¥267,241	¥(668)	\$2,865,148	\$2,872,323	\$(7,175)

#### *Cash and cash equivalents:*

The carrying values of cash and cash equivalents approximates fair value because of their short maturities.

#### *Notes and accounts receivable—trade:*

The carrying values of notes and accounts receivable—trade approximate fair value because of their short maturities.

Carrying amounts and fair values of notes and accounts receivables—trade are the amounts after deduction of allowance for doubtful receivables.

#### *Investment securities:*

The fair values of investment securities are measured at the quoted market price of the stock exchange. Investment securities whose fair value is not readily determinable (the carrying values of ¥1,150 million (\$12,361 thousand)) are excluded because it is difficult to figure out the fair values and impossible to estimate future the cash flows.

#### *Note and accounts payable, short-term borrowings and income tax payable:*

The carrying values of those accounts approximate fair value because of their short maturities.

#### *Accrued expenses:*

The carrying values of accrued expenses approximates fair value because of their short maturities.

There is a difference between consolidated balance sheets because provision for product warranties is excluded in the above table.

#### *Long-term loans:*

The fair values of long-term loans are determined by discounting the future cash flows related to the loans at the rate assumed based on interest rates on government securities and credit risk. The fair values of long-term loans with variable interest rates, which is subject to the special treatment of interest-rate swaps, are determined by discounting the principal amounts with interest of such interest-rate swaps related to the loans at the rate assumed based on interest rates on government securities and credit risk.

Long-term loans are included in current portion of long-term debt and long-term debt in consolidated balance sheets.

#### *Bonds:*

The fair values of bonds are determined by the market price, if it is available, or by discounting the future cash flows related to the debt at the rate assumed based on interest rates on government securities and credit risk.

Bonds are included in current portion of long-term debt and long-term debt in consolidated balance sheets.

**(4) Maturity Analysis for Financial Assets and Securities with Contractual Maturities**

	Millions of Yen		Thousands of U.S. Dollars	
	Due in One Year or Less	Due after One Year through Five Years	Due in One Year or Less	Due after One Year through Five Years
March 31, 2010				
Cash and cash equivalents	¥104,670		\$1,124,995	
Notes and accounts receivable	113,773		1,222,844	
Investment securities				
Available-for-sale securities with contractual maturities		¥ 0		\$ 3
Total	¥218,443	¥ 0	\$2,347,839	\$ 3

**15. Derivatives**

The Group enters into derivative contracts, including foreign exchange forward contracts, currency option contracts, foreign currency swap contracts and interest rate swap contracts to hedge foreign exchange risk and interest rate exposures. The Group does not hold or issue derivatives for trading purposes. Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations in market conditions, including changes in interest or foreign exchange rates. Credit risk is the possibility that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract.

Because the counterparties to the Group's derivative contracts are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies that regulate the authorization and credit limit amount.

As noted in Note 14, the Group applied ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures". The accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010; therefore, the required information is disclosed only for 2010.

**Derivative transactions to which hedge accounting is not applied at March 31, 2010**

	Millions of Yen				Thousands of U.S. Dollars			
	2010				2010			
	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)
Forward Exchange Contracts:								
Selling USD	¥20,482		¥(356)	¥(356)	\$220,137		\$(3,822)	\$(3,822)
Selling EUR	35,917		322	322	386,035		3,458	3,458
Selling Other	5,676		(209)	(209)	61,002		(2,243)	(2,243)
Buying JPY	(13)		(1)	(1)	(144)		(6)	(6)
Buying USD	(3,229)		(35)	(35)	(34,706)		(379)	(379)
Buying EUR	(1,909)		(16)	(16)	(20,516)		(174)	(174)
Total				¥(295)				\$(3,166)
Currency Option Contracts:								
Selling USD	¥ 2,328		¥	¥	\$ 25,019		\$	\$
Option Premiums			(5)	(5)			(58)	(58)
Buying USD	(2,328)				(25,019)			
Option Premiums			5	5			50	50
Total				¥ (0)				\$ (8)

(Note) Method used to calculate the fair value

(1) Forward exchange contracts: Forward exchange rates are used for the fair values of forward exchange contracts.

(2) Currency option contracts: The fair values of derivative transactions are based on information provided by financial institutions.

In case of transacting zero cost option contracts, only the fair value and unrealized loss (gain) corresponding option premiums are shown.

**Derivative transactions to which hedge accounting is applied at March 31, 2010**

March 31, 2010	Hedged Item	Millions of Yen			Thousands of U.S. Dollars		
		Contract Amount	Contract Amount due after One Year	Fair Value	Contract Amount	Contract Amount due after One Year	Fair Value
Foreign currency forward contracts:							
	Selling USD	Receivables	¥10,493		¥(163)	\$112,784	\$(1,750)
	Selling EUR	Receivables	23,309		55	250,531	587

(Note) Method used to calculate the fair value

(1) Forward exchange contracts: Forward exchange rates are used for the fair values of forward exchange contracts.

March 31, 2010	Hedged Item	Millions of Yen	
		Contract Amount	Contract Amount due after One Year
Interest rate swaps:			
	(fixed rate payment, floating rate receipt)	Long-term debt	¥11,500      ¥1,500

The above interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps in Note 14 is included in that of hedged items (i.e., long-term debt).

The following is the fair value information for foreign currency forward contracts to which hedge accounting is not applied at March 31, 2009. Foreign currency forward contracts which qualify for the hedge accounting are excluded from the information below.

	Millions of Yen		
	2009		
	Contract or Notional Amount	Fair Value	Net Unrealized Gain (Loss)
Forward Exchange Contracts:			
Selling USD	¥34,772	¥35,135	¥(363)
Selling EUR	24,062	24,510	(448)
Selling Other	3,739	3,677	62
Buying JPY	2,217	2,071	(146)
Buying USD	3,132	3,138	6
Buying Other	314	304	(10)
Total			¥(899)

**16. Contingent Liabilities**

At March 31, 2010, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
	2010	2010
As the guarantor of bank loans and indebtedness, principally of employees, unconsolidated subsidiaries and associated companies	¥2,089	\$22,449
Total	¥2,089	\$22,449

## 17. Net Income per Share

Reconciliation of the differences between basic and diluted net income (loss) per share ("EPS") for the years ended March 31, 2010 and 2009 was as follows. Diluted net income (loss) per share for the year ended March 31, 2010 is not disclosed because of the Company's net loss position.

	Millions of Yen	Thousands of shares	Yen	U.S. Dollars
		Weighted Average Shares		EPS
<b>For the year ended March 31, 2010:</b>				
Basic EPS				
Net loss available to common shareholders	¥(12,615)	396,398	¥(31.82)	\$(0.34)
<b>For the year ended March 31, 2009:</b>				
Basic EPS				
Net income available to common shareholders	¥ 28,056	396,520	¥ 70.76	\$ 0.72
Effect of Dilutive Securities				
Warrants (Stock Option)		258		
Convertible bonds		16,361		
Diluted EPS				
Net income for computation	¥ 28,056	413,139	¥ 67.91	\$ 0.69

## 18. Business Combinations

### (a) Business Spin-off of Precision Equipment Company's Production Subsidiaries

On April 1, 2008, Sendai Nikon Precision Co., Ltd., a wholly owned consolidated subsidiary, was spun off from Sendai Nikon Corporation, a wholly owned consolidated subsidiary. The new subsidiary was established to promote the Nikon Group's in-house company system firmly, respond to market changes more quickly and strengthen competitiveness and profitability. The precision equipment business of Sendai Nikon Corporation was transferred to Sendai Nikon Precision Co., Ltd.

After this spin-off, Sendai Nikon Precision Co., Ltd. belongs to the Precision Equipment Company and Sendai Nikon Corporation belongs to the Imaging Company.

As this spin-off was a transaction under common control, all intercompany transactions were eliminated and there was no accounting effect of this transaction on the consolidated financial statements for the year ended March 31, 2009.

### (b) Reorganization of Precision Equipment Company's Production Subsidiaries

#### 1. Objective and Measures

The Company has been implementing various structural reforms of its Precision Equipment Company to cope with deterioration of the IC steppers and scanners market as well as the future outlook of the IC/LCD steppers and scanners markets. As a part of this reform, the Precision Equipment Company's currently operating four production

subsidiaries in Japan were reorganized and integrated into two subsidiaries for establishment of a production structure to substantially reduce fixed costs and enhance both operational efficiency and the capability to cope with the drastic change in the business environment. Production of IC steppers and scanners was integrated into Tochigi Nikon Precision Co., Ltd. Major devices of LCD steppers and scanners production were integrated into Zao Nikon Co., Ltd.

#### 2. Outline of Reorganization

##### (Date of enforcement)

October 1, 2009

##### (Schema)

The IC stepper and scanner business of Sendai Nikon Precision Corporation was transferred to Tochigi Nikon Precision Co., Ltd. via split by absorption. The LCD stepper and scanner business of Mito Nikon Precision Corporation was transferred to Zao Nikon Co., Ltd. via split by absorption.

After split by absorption, merger by absorption proceeded with Tochigi Nikon Precision Co., Ltd. as the continuing concern and Mito Nikon Precision Corporation as the discontinued concern.

In the same manner, merger by absorption proceeded with Zao Nikon Co., Ltd. as the continuing concern and Sendai Nikon Precision Corporation as the discontinued concern. Further, Zao Nikon Co., Ltd. changed its trade name to Miyagi Nikon Precision Co., Ltd. on the same day.

*(Allocation related to these splits and mergers)*

There was neither a new equity issue nor a capital increase, since these splits and mergers were implemented among 100% subsidiaries of the Company.

**3. Outline of New Subsidiaries***(Tochigi Nikon Precision Co., Ltd.)*

Main business: Manufacture of devices for IC steppers and scanners and lenses for IC/LCD steppers and scanners

*(Miyagi Nikon Precision Co., Ltd.)*

Main business: Manufacture of devices for LCD steppers and scanners

As these were transactions under common control, all intercompany transactions were eliminated and there was no accounting effect for this transaction on the consolidated financial statements for the year ended March 31, 2010.

**(c) Business Combinations of Metris NV***(Adoption of purchase method)*

1. Name and business description of company acquired, principal reason for business combination, date of business combination, legal method for business combination, name of combined company, and percentage of voting rights acquired

1) Name of the acquired company: Metris NV

2) Description of business: Manufacture and sale of hardware and software for three-dimensional measuring systems

3) Principal reason for business combination: Expand the revenue base in the area of measuring instruments by achieving geographic synergy and further enhancing product line-up by increasing the Group's technological advantage through the promotion of product development based on the technological merger of the two companies.

4) Date of business combination: August 5, 2009

5) Legal method for business combination: Acquisition through acquisition of shares

6) Name of combined company: Nikon Metrology NV (Metris NV changed its trade name to Nikon Metrology NV on November 10, 2009)

7) Percentage of voting rights acquired: 100%

2. Performance of acquired company included in consolidated financial statements:

Period from July 1 through December 31, 2009

3. Cost of acquiring the company and breakdown thereof:

		Millions of Yen
Value of acquisition	Cash	¥ 9,396
Direct expense of acquisition	Consultation fees, etc.	616
Cost of acquisition		<u>¥10,012</u>

4. Amount of goodwill incurred, reason therefor, and amortization method and period

1) Amount of goodwill incurred: ¥15,498 million

2) Reason therefor: The cost of acquisition exceeded the net amount allocated to the assets acquired and the liabilities assumed, the excess amount was posted as goodwill.

3) Amortization method and period: Straight-line amortization in 10 years

Nikon Metrology NV, which was acquired during the second quarter and included in the scope of consolidation from the end thereof, was being accounted for on a tentative basis in accordance with reasonable information accessible, since the allocation of acquisition costs had not been completed. As a result of having reasonably estimated the duration of the effect of goodwill upon completion of the allocation of acquisition costs at the end of the period under review, the amortization period was set at 10 years.

5. The estimated fair values of the assets acquired and the liabilities assumed at the acquisition date are as follows:

	Millions of Yen
Current assets	¥ 5,202
Non-current assets	7,797
Total assets acquired	<u>12,999</u>
Current liabilities	10,433
Non-current liabilities	8,052
Total liabilities assumed	<u>¥18,485</u>

6. Amount of research and development costs included in cost of acquisition: ¥3,465 million

7. If this business combination had been completed as of April 1, 2009, the beginning of the current fiscal year, the estimated amount of effect in consolidated financial statement of income for the year ended March 31, 2010 would be as follows:

	Millions of Yen
Sales	¥2,447
Operating loss	3,148
Income before income taxes	3,770

*(Calculation method of estimated amount)*

The estimated amount of effect is difference between consolidated financial statement of income calculated on the assumption that this business combination had been completed as of April 1, 2009, the beginning of the current fiscal year and consolidated financial statement of income for the year ended March 31, 2010.

This is not subject to audit.

## 19. Segment Information

Information about industry segments, geographic segments and sales to foreign customers of the Group for the fiscal years ended March 31, 2010 and 2009, was as follows:

### (a) Industry Segments

	Millions of Yen						Consolidated
	Precision Equipment	Imaging Products	Instruments	Other	Total	(Eliminations) or Corporate	
<b>For the year ended March 31, 2010</b>							
Net sales							
Outside customers	¥150,101	¥569,465	¥45,051	¥20,882	¥785,499		¥785,499
Intersegment sales/transfer	723	524	974	25,821	28,042	¥(28,042)	
Total	150,824	569,989	46,025	46,703	813,541	(28,042)	785,499
Operating expenses	209,381	517,872	55,356	45,018	827,627	(28,274)	799,353
Operating income (loss)	¥(58,557)	¥ 52,117	¥(9,331)	¥ 1,685	¥(14,086)	¥ 232	¥(13,854)
Assets	¥213,855	¥188,314	¥50,473	¥64,303	¥516,945	¥223,687	¥740,632
Depreciation and amortization	14,563	11,543	2,554	7,296	35,956		35,956
Capital expenditures	19,314	13,908	1,439	2,864	37,525		37,525
	Millions of Yen						
	Precision Equipment	Imaging Products	Instruments	Other	Total	(Eliminations) or Corporate	Consolidated
<b>For the year ended March 31, 2009</b>							
Net sales							
Outside customers	¥219,915	¥596,468	¥44,643	¥18,693	¥879,719		¥879,719
Intersegment sales/transfer	1,460	945	1,773	31,707	35,885	¥(35,885)	
Total	221,375	597,413	46,416	50,400	915,604	(35,885)	879,719
Operating expenses	213,334	557,374	49,140	47,524	867,372	(35,838)	831,534
Operating income (loss)	¥ 8,041	¥ 40,039	¥(2,724)	¥ 2,876	¥ 48,232	¥ (47)	¥ 48,185
Assets	¥270,694	¥193,902	¥31,341	¥73,707	¥569,644	¥180,161	¥749,805
Depreciation and amortization	11,992	12,248	1,482	7,188	32,910		32,910
Capital expenditures	16,622	18,255	1,640	6,950	43,467		43,467
	Thousands of U.S. Dollars						
	Precision Equipment	Imaging Products	Instruments	Other	Total	(Eliminations) or Corporate	Consolidated
<b>For the year ended March 31, 2010</b>							
Net sales							
Outside customers	\$1,613,295	\$6,120,643	\$ 484,214	\$224,441	\$8,442,593		\$8,442,593
Intersegment sales/transfer	7,765	5,633	10,472	277,526	301,396	\$ (301,396)	
Total	1,621,060	6,126,276	494,686	501,967	8,743,989	(301,396)	8,442,593
Operating expenses	2,250,439	5,566,122	594,972	483,852	8,895,385	(303,887)	8,591,498
Operating income (loss)	\$ (629,379)	\$ 560,154	\$(100,286)	\$ 18,115	\$ (151,396)	\$ 2,491	\$ (148,905)
Assets	\$2,298,532	\$2,024,008	\$ 542,486	\$691,128	\$5,556,154	\$2,404,210	\$7,960,364
Depreciation and amortization	156,525	124,066	27,445	78,421	386,457		386,457
Capital expenditures	207,583	149,487	15,467	30,787	403,324		403,324

Major products of each Industry:

Precision Equipment: IC steppers, LCD steppers and scanners  
 Imaging Products: Digital cameras, Film cameras, Interchangeable lenses  
 Instruments: Microscopes, Measuring instruments, Inspection equipment  
 Other: LCD Photomask Substrates, Sport optics products



Notes: 1. Amortization of Goodwill is included in "Depreciation and amortization" for the years ended March 31, 2010 and 2009.

2. Prior to April 1, 2008, inventories of the Company and its domestic subsidiaries were stated at cost, determined principally using the average method. In July 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories". This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard was effective for fiscal years beginning on or after April 1, 2008.

The Company and its domestic subsidiaries applied this new accounting standard for measurement of inventories effective April 1, 2008. In addition, loss on disposals of inventory and write-down of inventory, which were previously included in non-operating expenses, are included in cost of sales.

3. As discussed in Note 2 (b), effective April 1, 2008, the Company applied PITF No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements".

4. In July 2008, the ASBJ issued ASBJ Statement No. 19, "Accounting Standard for Retirement and Pension plans", which revised the previous accounting standard for Retirement and Pension plans issued in June 1998. There was no effect from this change.

### (b) Geographic Segments

	Millions of Yen						
	Japan	North America	Europe	Asia/Oceania	Total	(Eliminations) or Corporate	Consolidated
<b>For the year ended March 31, 2010</b>							
Net sales							
Outside customers	¥188,704	¥256,618	¥193,849	¥146,328	¥ 785,499		¥785,499
Intersegment sales	448,534	1,937	431	137,191	588,093	¥(588,093)	
Total	637,238	258,555	194,280	283,519	1,373,592	(588,093)	785,499
Operating expenses	669,385	252,452	196,034	270,556	1,388,427	(589,074)	799,353
Operating income (loss)	¥ (32,147)	¥ 6,103	¥ (1,754)	¥ 12,963	¥ (14,835)	¥ 981	¥ (13,854)
Assets	¥463,988	¥ 59,295	¥ 39,821	¥ 63,351	¥ 626,455	¥ 114,177	¥740,632
	Millions of Yen						
	Japan	North America	Europe	Asia/Oceania	Total	(Eliminations) or Corporate	Consolidated
<b>For the year ended March 31, 2009</b>							
Net sales							
Outside customers	¥259,844	¥272,457	¥219,119	¥128,299	¥ 879,719		¥879,719
Intersegment sales	463,696	2,200	221	141,038	607,155	¥(607,155)	
Total	723,540	274,657	219,340	269,337	1,486,874	(607,155)	879,719
Operating expenses	703,368	271,732	213,174	257,373	1,445,647	(614,113)	831,534
Operating income	¥ 20,172	¥ 2,925	¥ 6,166	¥ 11,964	¥ 41,227	¥ 6,958	¥ 48,185
Assets	¥517,782	¥ 79,538	¥ 41,915	¥ 54,078	¥ 693,313	¥ 56,492	¥749,805
	Thousands of U.S. Dollars						
	Japan	North America	Europe	Asia/Oceania	Total	(Eliminations) or Corporate	Consolidated
<b>For the year ended March 31, 2010</b>							
Net sales							
Outside customers	\$2,028,200	\$2,758,142	\$2,083,501	\$1,572,750	\$ 8,442,593		\$8,442,593
Intersegment sales	4,820,874	20,823	4,636	1,474,531	6,320,864	\$(6,320,864)	
Total	6,849,074	2,778,965	2,088,137	3,047,281	14,763,457	(6,320,864)	8,442,593
Operating expenses	7,194,593	2,713,372	2,106,986	2,907,950	14,922,901	(6,331,403)	8,591,498
Operating income (loss)	\$ (345,519)	\$ 65,593	\$ (18,849)	\$ 139,331	\$ (159,444)	\$ 10,539	\$ (148,905)
Assets	\$4,986,979	\$ 637,307	\$ 427,995	\$ 680,896	\$ 6,733,177	\$ 1,227,187	\$7,960,364

North America ..... U.S.A., Canada

Europe ..... The Netherlands, Germany, United Kingdom, France, etc.

Asia/Oceania ..... China, South Korea, Taiwan, Thailand, Australia, etc.

Notes: 1. Prior to April 1, 2008, inventories of the Company and its domestic subsidiaries were stated at cost, determined principally using the average method. In July 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories". This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard was effective for fiscal years beginning on or after April 1, 2008.

The Company and its domestic subsidiaries applied this new accounting standard for measurement of inventories effective April 1, 2008. In addition, loss on disposals of inventory and write-down of inventory, which were previously included in non-operating expenses, are included in cost of sales.

2. As discussed in Note 2 (b), effective April 1, 2008, the Company applied PITF No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements".

3. In July 2008, the ASBJ issued ASBJ Statement No. 19, "Accounting Standard for Retirement and Pension plans", which revised the previous accounting standard for Retirement and Pension plans issued in June 1998. There was no effect from this change.

### (c) Export Sales

For the years ended March 31, 2010 and 2009

	Millions of Yen, %				Thousands of U.S. Dollars
	2010	(A)/(B)	2009	(A)/(B)	2010
Export sales (A)					
North America	¥245,112	31.2%	¥261,369	29.7%	\$2,634,483
Europe	189,507	24.1	208,958	23.7	2,036,838
Asia/Oceania	195,629	24.9	232,034	26.4	2,102,638
Other Area	16,223	2.1	13,677	1.6	174,367
Total	¥646,471	82.3%	¥716,038	81.4%	\$6,948,326
Net sales (B)	¥785,499		¥879,719		\$8,442,593

North America .....U.S.A., Canada

Europe .....The Netherlands, Germany, United Kingdom, France, etc.

Asia/Oceania .....China, South Korea, Taiwan, Singapore, Australia, etc.

Other Area .....Middle Et South America, Africa, etc.



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
NIKON CORPORATION:

We have audited the accompanying consolidated balance sheets of NIKON CORPORATION (the "Company") and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of operations, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NIKON CORPORATION and consolidated subsidiaries as of March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

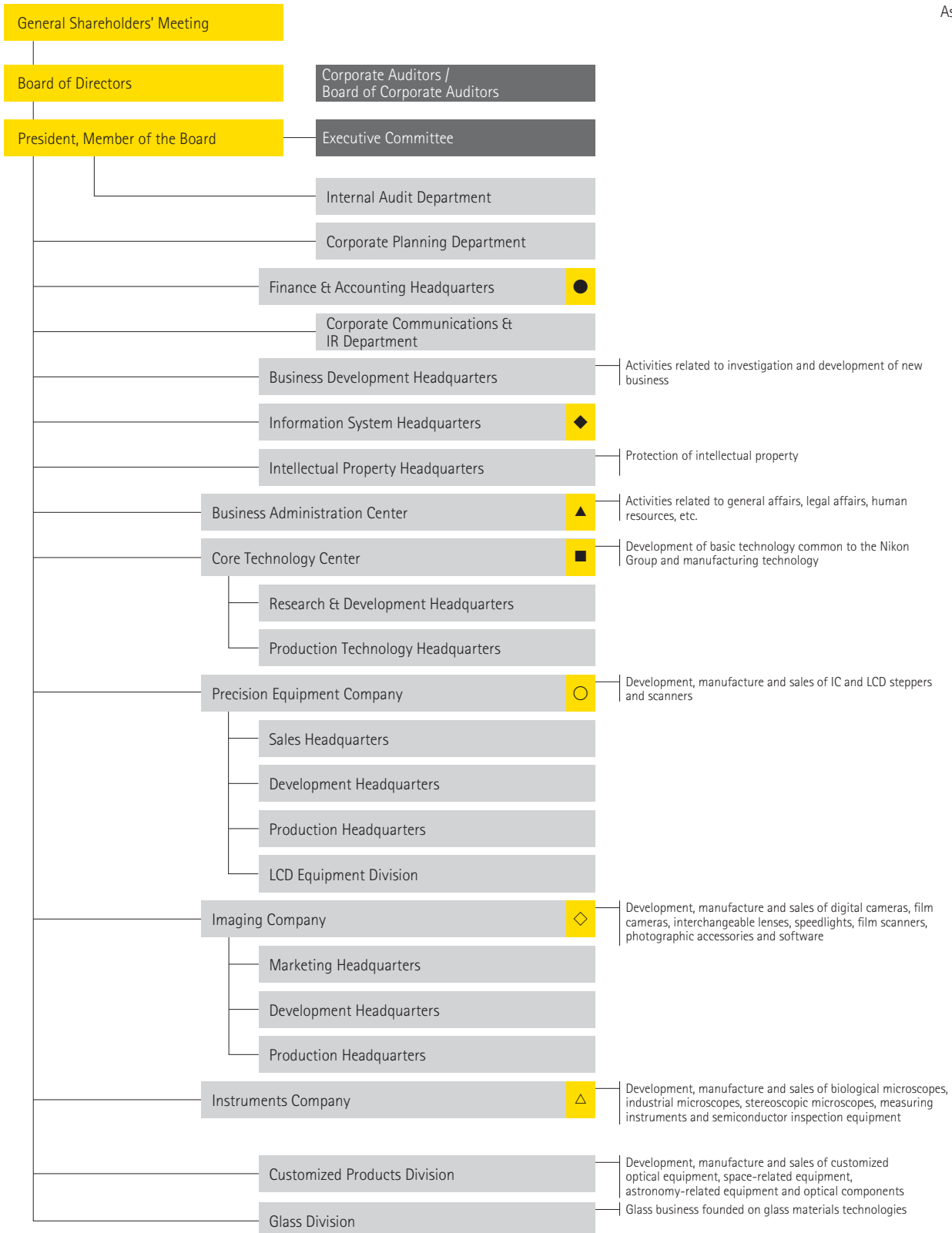
*Deloitte Touche Tohmatsu LLC*

June 29, 2010

Member of  
Deloitte Touche Tohmatsu

# Organization of the Nikon Group

As of June 29, 2010



# Nikon Group Companies

(★ Consolidated as of March 31, 2010)

## Europe

- **Nikon Holdings Europe B.V.** ★  
Centralized supply, administration and management of funds of affiliates in Europe
- **Nikon Precision Europe GmbH** ★  
Maintenance and servicing of IC steppers and scanners
- ◇ **Nikon Europe B.V.** ★  
Import, sales and servicing of cameras
- ◇ **Nikon AG** ★  
Import, sales and servicing of cameras, microscopes, and measuring instruments
- ◇ **Nikon GmbH** ★  
Import, sales and servicing of cameras, microscopes, and measuring instruments
- ◇ **Nikon U.K. Ltd.** ★  
Import, sales and servicing of cameras, microscopes, and measuring instruments
- ◇ **Nikon France S.A.S.** ★  
Import, sales and servicing of cameras, microscopes, and measuring instruments
- ◇ **Nikon Nordic AB** ★  
Import, sales and servicing of cameras
- ◇ **Nikon Kft.** ★  
Import, sales and servicing of cameras
- ◇ **Nikon s.r.o.** ★  
Import, sales and servicing of cameras, microscopes, and measuring instruments
- ◇ **Nikon Polska Sp.z o.o.** ★  
Import, sales and servicing of cameras
- ◇ **Nikon (Russia) LLC.** ★  
Import, sales and servicing of cameras
- △ **Nikon Instruments Europe B.V.** ★  
Import, sales, maintenance and servicing of microscopes and measuring instruments
- △ **Nikon Instruments S.p.A.** ★  
Import, sales, maintenance and servicing of microscopes and measuring instruments
- △ **Nikon Metrology NV** ★  
Development, manufacturing, sales, maintenance and servicing related to measuring and inspection products

## Asia-Oceania

- **Nikon Precision Korea Ltd.** ★  
Maintenance and servicing of IC/LCD steppers and scanners
- **Nikon Precision Taiwan Ltd.** ★  
Maintenance and servicing of IC/LCD steppers and scanners
- **Nikon Precision Singapore Pte Ltd** ★  
Maintenance and servicing of IC/LCD steppers and scanners
- **Nikon Precision Shanghai Co., Ltd.** ★  
Maintenance and servicing of IC/LCD steppers and scanners
- ◇ **Nikon Hong Kong Ltd.** ★  
Import, sales and servicing of cameras
- ◇ **Nikon Singapore Pte Ltd** ★  
Import, sales and servicing of cameras, microscopes, and measuring instruments
- ◇ **Nikon (Malaysia) Sdn. Bhd.** ★  
Support for sales and servicing of cameras, microscopes, and measuring instruments
- ◇ **Nikon Imaging (China) Sales Co., Ltd.** ★  
Import, sales and servicing of cameras
- ◇ **Nikon Australia Pty Ltd** ★  
Import, sales and servicing of cameras
- ◇ **Nikon India Private Limited** ★  
Import, sales and servicing of cameras, and maintenance and servicing of measuring instruments
- ◇ **Nikon Imaging Korea Co., Ltd.** ★  
Import, sales and servicing of cameras
- ◇ **Nikon (Thailand) Co., Ltd.** ★  
Manufacture of digital cameras, interchangeable lenses, and digital camera components
- ◇ **Nikon Imaging (China) Co., Ltd.** ★  
Manufacture of digital cameras and digital camera components
- ◇ **Nikon International Trading (Shenzhen) Co., Ltd.** ★  
Procurement of parts for digital cameras
- ◇ **Guang Dong Nikon Camera Co., Ltd.** ★  
Manufacture of digital camera components
- ◇ **Hang Zhou Nikon Camera Co., Ltd.** ★  
Manufacture of digital camera components
- △ **Nikon Instruments (Shanghai) Co., Ltd.** ★  
Marketing, maintenance and servicing of microscopes, measuring instruments
- △ **Nikon Instruments Korea Co., Ltd.** ★  
Sales, maintenance and servicing of microscopes and measuring instruments
- △ **Nanjing Nikon Jiangnan Optical Instrument Co., Ltd.** ★  
Manufacture of microscopes and objective lenses for microscopes

## Domestic

- **Hikari Glass Co., Ltd.** ★  
Manufacture and sales of optical glass and molded optical glass
- **Nikon Optical Shop Co., Ltd.**  
Retail sales of ophthalmic frames and lenses
- **Nikon Vision Co., Ltd.** ★  
Development, manufacture, sales and servicing of sport optics products
- **Nikon Engineering Co., Ltd.** ★  
Design, manufacture, and sales of microprocessing systems and customized microscopes
- **Nikon-Essilor Co., Ltd.\*1**  
Development, manufacture, sales and servicing of ophthalmic lenses
- **Nikon-Trimble Co., Ltd.\*1**  
Development, manufacture, sales and servicing of surveying instruments
- ◆ **Nikon Systems Inc.** ★  
Development and support of computer software
- ▲ **Nikon Business Service Co., Ltd.** ★  
Employee welfare activities, procurement, logistics, and activities related to intellectual property
- ▲ **Nikon Tsubasa Inc.**  
Processing, assembly and packing of parts for optical instruments
- **Nikon and Essilor International Joint Research Center Co., Ltd.**  
Research and Development in material, optics and ophthalmic area
- **Tochigi Nikon Precision Co., Ltd.** ★  
Manufacture of devices for IC/LCD steppers and scanners, and lenses for IC/LCD steppers and scanners
- **Miyagi Nikon Precision Co., Ltd.** ★  
Manufacture of devices for IC/LCD steppers and scanners
- **Nikon Tec Corporation** ★  
Maintenance and servicing of IC/LCD steppers and scanners, sales of used steppers and scanners
- ◇ **Tochigi Nikon Corporation** ★  
Manufacture of interchangeable lenses and optical lenses
- ◇ **Sendai Nikon Corporation** ★  
Manufacture of cameras
- ◇ **Nikon Imaging Japan Inc.** ★  
Sales and servicing of cameras
- △ **Kurobane Nikon Co., Ltd.** ★  
Manufacture of objective lenses for microscopes/measuring instruments/semiconductor inspection equipment, and optical components
- △ **Nikon Instech Co., Ltd.** ★  
Sales, maintenance and servicing of microscopes, measuring instruments and semiconductor inspection equipment

Note: 1. Nikon-Essilor Co., Ltd. and Nikon-Trimble Co., Ltd. are equity method companies.

## The Americas

- **Nikon Americas Inc.** ★  
Centralized supply, administration and management of funds of affiliates in the U.S.
- **Nikon Precision Inc.** ★  
Import, sales, maintenance and servicing of IC steppers and scanners
- **Nikon Research Corporation of America** ★  
R&D for IC-related equipment
- ◇ **Nikon Inc.** ★  
Import, sales and servicing of cameras
- ◇ **Nikon Canada Inc.** ★  
Import, sales and servicing of cameras, microscopes, and measuring instruments
- ◇ **Nikon Mexico, S.A. de C.V.**  
Import, sales and servicing of cameras
- △ **Nikon Instruments Inc.** ★  
Import, sales, maintenance and servicing of microscopes, measuring instruments, and semiconductor inspection equipment

- Finance & Accounting Headquarters
- ◆ Information System Headquarters
- ▲ Business Administration Center
- Core Technology Center
- Precision Equipment Company
- ◇ Imaging Company
- △ Instruments Company

(As of March 31, 2010)

# Directors, Auditors and Officers

## BOARD OF DIRECTORS

### Michio Kariya

Representative Director,  
Chairman of the Board

### Makoto Kimura

Representative Director, President,  
Member of the Board

### Ichiro Terato

Representative Director,  
Member of the Board

### Kyoichi Suwa

Director, Member of the Board

### Kazuo Ushida

Director, Member of the Board

### Yoshimichi Kawai

Director, Member of the Board

### Masami Kumazawa

Director, Member of the Board

### Toshiyuki Masai

Director, Member of the Board

### Yasuyuki Okamoto

Director, Member of the Board

### Norio Hashizume

Director, Member of the Board

### Kenji Matsuo

Director, Member of the Board  
(President, Meiji Yasuda Life Insurance Company)

### Koukei Higuchi

Director, Member of the Board  
(Counsellor, Tokio Marine & Nichido Fire Insurance Co., Ltd.)

## CORPORATE AUDITORS

### Mamoru Kajiwara

Standing Corporate Auditor

### Yoshiyuki Nagai

Standing Corporate Auditor

### Toyoshi Nakano

Corporate Auditor  
(Senior Advisor, Mitsubishi UFJ Trust  
and Banking Corporation)

### Susumu Kani

Corporate Auditor  
(Corporate Advisor, Mitsubishi Corporation)

### Masatoshi Kamijo

Corporate Auditor  
(Certified Public Accountant)

## OFFICERS

### Makoto Kimura

President  
Company's operations, in charge of Business Development  
Headquarters

### Ichiro Terato

Executive Vice President  
Assistant of President, in charge of Corporate Planning  
Department, Finance & Accounting Headquarters,  
in charge of overseeing Internal Audit Department

### Kyoichi Suwa

Senior Executive Officer  
President of Core Technology Center, in charge of  
overseeing Glass Division

### Kazuo Ushida

Senior Executive Officer  
President of Precision Equipment Company, in charge of  
Intellectual Property Headquarters

### Yoshimichi Kawai

Executive Officer  
President of Business Administration Center, in charge  
of Corporate Communications & IR Department,  
manufacturing reform project, in charge of overseeing  
Customized Products Division

### Masami Kumazawa

Executive Officer  
General Manager of Intellectual Property Headquarters, in  
charge of Information System Headquarters

### Toshiyuki Masai

Executive Officer  
President of Instruments Company  
& General Manager of Sales Division, Instruments Company

### Yasuyuki Okamoto

Executive Officer  
President of Imaging Company

### Norio Hashizume

Executive Officer  
General Manager of Finance & Accounting Headquarters

### Koji Morishita

Operating Officer  
General Manager of Business Development Headquarters

### Toshikazu Umatate

Operating Officer  
Vice President of Precision Equipment Company  
& General Manager of Sales Headquarters,  
Precision Equipment Company

### Kunio Kawabata

Operating Officer  
General Manager of LCD Equipment Division, Precision  
Equipment Company & General Manager of Sales  
Department of LCD Equipment Division, Precision  
Equipment Company

### Tsuneo Kosaka

Operating Officer  
General Manager of Production Headquarters,  
Imaging Company

### Kazuyuki Kazami

Operating Officer  
Vice President of Imaging Company  
& General Manager of Development Headquarters,  
Imaging Company

### Kenichi Kanazawa

Operating Officer  
General Manager of Information System Headquarters

### Hiroshi Ohki

Operating Officer  
General Manager of Research & Development  
Headquarters, Core Technology Center

### Takaharu Honda

Operating Officer  
General Manager of Business Planning Department,  
Imaging Company

### Tsuneyoshi Kon

Operating Officer  
Vice President of Business Administration Center

### Nobuyoshi Gokyu

Operating Officer  
President & CEO, Nikon Inc.

### Tomohide Hamada

Operating Officer  
General Manager of 2nd Development Department,  
LCD Equipment Division, Precision Equipment Company

### Masao Nakajima

Operating Officer  
General Manager of Production Headquarters,  
Precision Equipment Company

### Osamu Shimoda

Operating Officer  
General Manager of Corporate Planning Department

(As of June 29, 2010)



## Investor Information

### Nikon Corporation

Fuji Bldg., 2-3, Marunouchi 3-chome,  
Chiyoda-ku, Tokyo 100-8331, Japan  
Tel: +81-3-3214-5311  
Fax: +81-3-3216-1454

Note : On May 4, 2010, the Company's head office  
was relocated to the following address:  
Shin-Yurakucho Bldg.,  
12-1, Yurakucho 1-chome,  
Chiyoda-ku, Tokyo 100-8331, Japan

### Date of Establishment

July 25, 1917

### Number of Employees

26,125 (Consolidated)

### Common Stock

Authorized:  
1,000,000,000 shares  
Issued:  
400,878,921 shares  
¥65,475 million

### Number of Shareholders

22,905

### Stock Exchange Listing

Tokyo

### Share Registrar

Mitsubishi UFJ Trust and Banking  
Corporation  
Corporate Agency Division  
4-5, Marunouchi 1-chome,  
Chiyoda-ku, Tokyo 100-8212, Japan

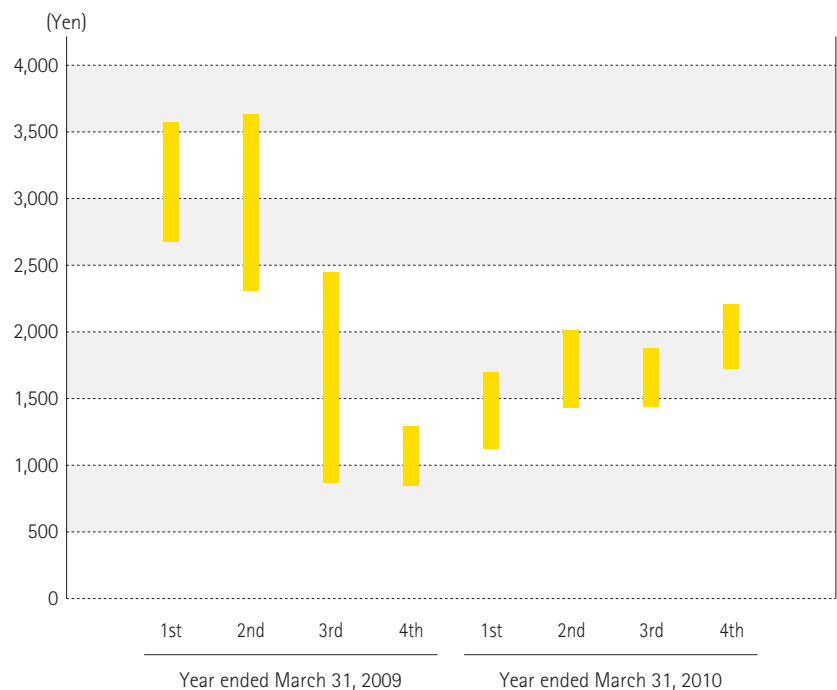
(As of March 31, 2010)

### Major Shareholders

Name of shareholder	Number of shares held (thousands)	Percentage of total shares issued
The Master Trust Bank of Japan, Ltd. (Trust Account)	36,039	9.09
Japan Trustee Services Bank, Ltd. (Trust Account)	26,382	6.66
Meiji Yasuda Life Insurance Company	20,565	5.19
State Street Bank and Trust Company	12,142	3.06
JPMorgan Chase Bank 380055	11,627	2.93
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	10,998	2.77
Tokio Marine & Nichido Fire Insurance Co., Ltd.	9,731	2.45
Mitsubishi UFJ Trust and Banking Corporation	9,134	2.30
Nippon Life Insurance Company	7,893	1.99
The Jojo Bank, Ltd.	6,801	1.72

Note : The ratio of shareholding is calculated by deducting treasury stock of 4,458,536 shares and rounding off to the nearest thousandth.

### Price Range of Common Stock



For further information or additional copies of this annual report, please contact the Corporate Communications & IR Department.

Homepage: Nikon has created a Web site specifically for investors containing released financial reports, fact books and other information.  
<http://www.nikon.com/about/ir/>



**NIKON CORPORATION**

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