

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*¹ 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.

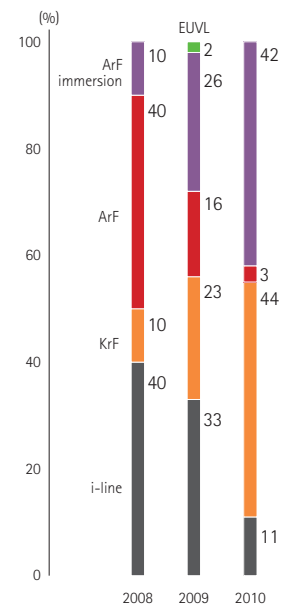
The Precision Equipment Company also actively pursued structural reforms and measures to reinforce cost-competitiveness throughout the business, reorganized and consolidated four domestic manufacturing subsidiaries into two, and implemented rationalization measures at service subsidiaries and overseas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

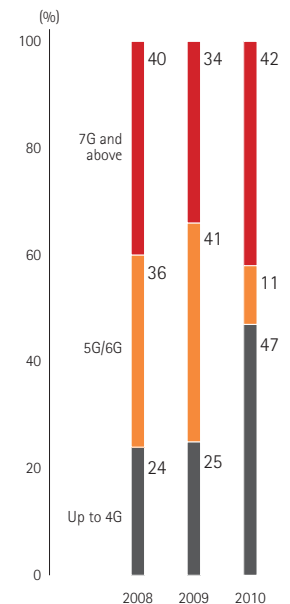
LCD Steppers and Scanners

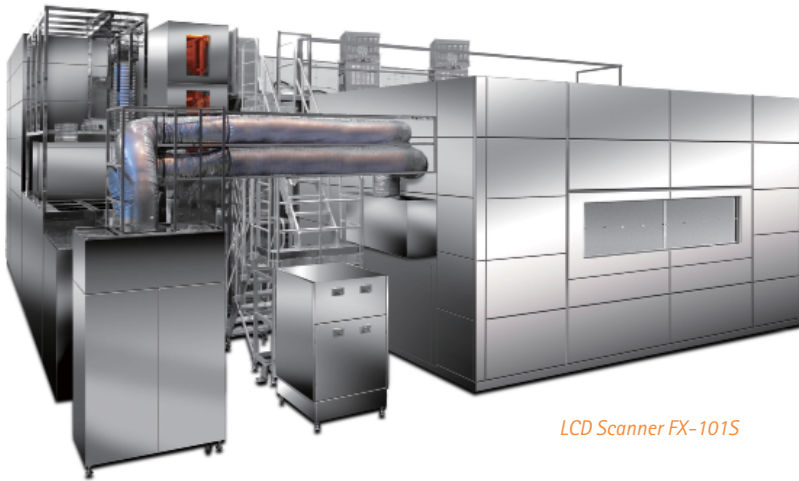
Using Orders Received in China as a Springboard to Boost Our Position Further

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.

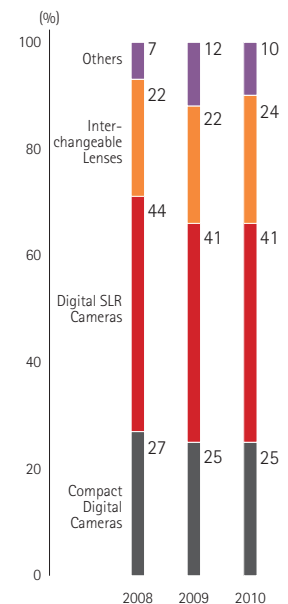
The market for digital SLR cameras was flat during the first half as in the corresponding period of the previous year, but began rising during the second half. The compact digital camera market, which had been on the decline, also recovered during the second half.

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

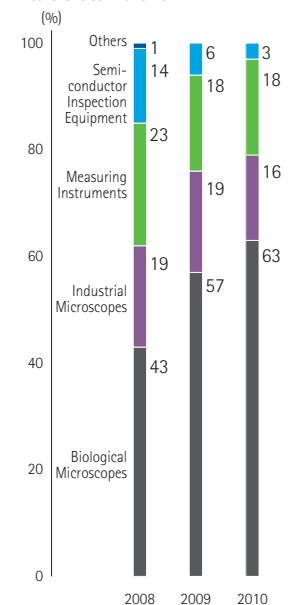
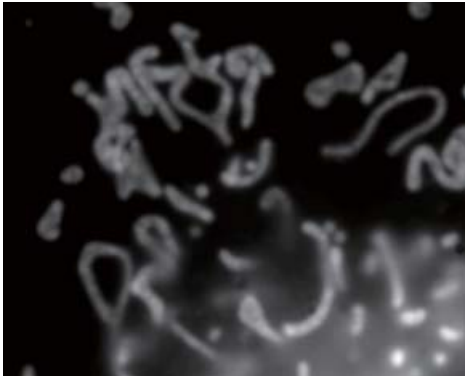


Image Comparison between Conventional Optical Microscopes and N-SIM



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