2011

Annual Report

Year ended March 31, 2011

At a Glance

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

In the fiscal year ended March 2011, Nikon posted an increase in sales and regained profitability, absorbing the impact from the appreciation of the yen and the Great East Japan Earthquake, which occurred on March 11. This was due mainly to continued positive sales in the Imaging Products Business, and recovery in the Precision Equipment and Instruments businesses. We will maintain measures to bolster our earnings capacity and develop cutting-edge products, to ensure we remain on a path of sustainable growth.

Nikon, following its unchanged corporate philosophy of "Trustworthiness and Creativity," will consistently offer new value and continue to grow.

1917–

Precision Equipment

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

Imaging Products

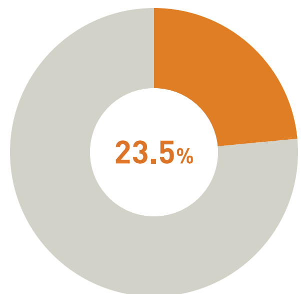
For a new dimension of pleasure from photography, Nikon develops and markets imaging products worldwide with various features using sophisticated digital imaging technology.

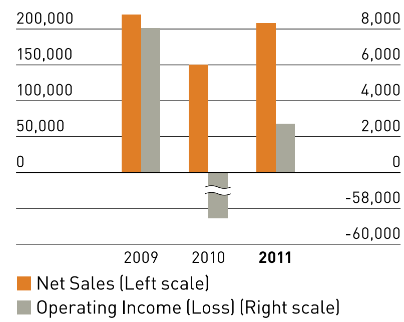
Instruments

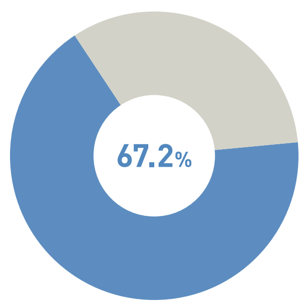
Nikon's microscopic ultra-precision tools are used extensively in bioscience, and contribute to greater efficiency in high-precision measurements in the field of industrial instruments.

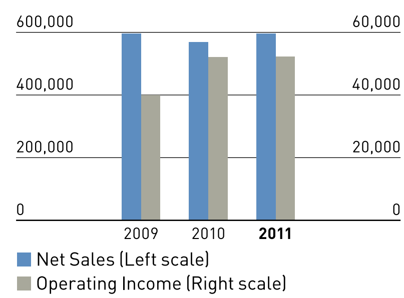
Share of Net Sales
Year ended March 31, 2011

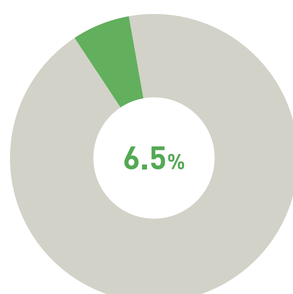
Net Sales and Operating Income (Loss)
Years ended March 31
(Millions of yen) (Millions of yen)

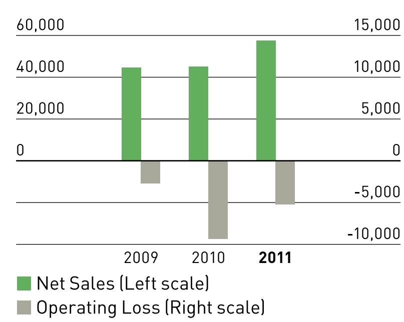












Contents

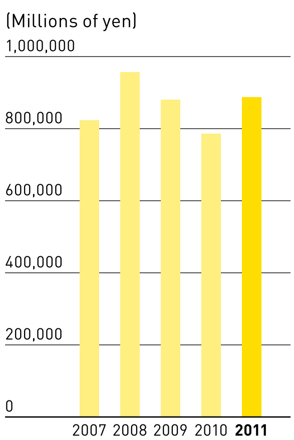
Financial Highlights

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31

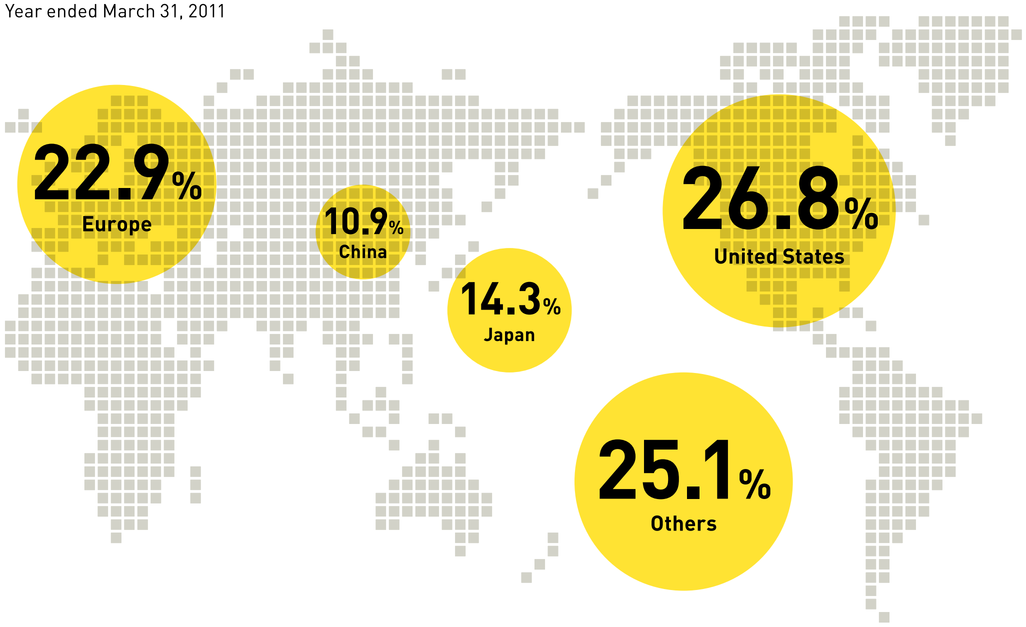
	2002	2003	2004	2005
For the year				
Net sales	¥ 482,975	¥ 468,959	¥ 506,378	¥ 638,468
Cost of sales	306,793	307,503	346,898	429,143
Selling, general and administrative expenses	153,943	157,269	155,805	178,780
Operating income (loss)	22,239	4,187	3,675	30,545
EBITDA (Note 3)	40,156	24,622	23,888	50,250
Income (loss) before income taxes	2,755	(11,128)	9,490	33,443
Net income (loss)	(6,004)	(8,143)	2,410	24,141
Per share of common stock (yen and U.S. dollars) (Note 1)**:**				
Basic net income (loss)	¥ (16.23)	¥ (22.03)	¥ 6.52	¥ 65.19
Diluted net income			6.02	57.84
Cash dividends applicable to the year	4.00		4.00	8.00
Capital expenditures	¥ 33,546	¥ 20,226	¥ 22,267	¥ 22,459
Depreciation and amortization	17,917	20,435	20,213	19,705
R&D costs	27,313	27,506	30,165	33,561
At year-end:				
Total assets	¥ 561,276	¥ 576,912	¥ 606,513	¥ 633,426
Total equity	176,961	162,464	171,194	196,030
Financial ratios (%)**:**				
Equity ratio	31.5	28.2	28.2	30.9
ROE (Note 3)	(3.3)	(4.8)	1.4	13.1
ROA (Note 3)	(1.0)	(1.4)	0.4	3.9

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 ¥83.15 to U.S.$1.00, the exchange rate at March 31, 2011.
3. Throughout this annual report, EBITDA is calculated as operating income (loss) plus depreciation and amortization expenses, 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
Years ended March 31



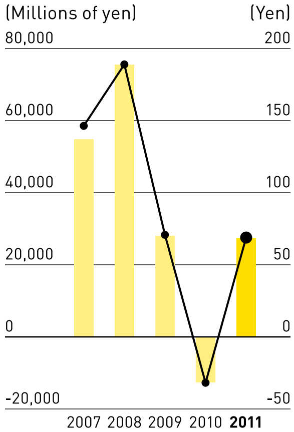
Geographic Sales
Year ended March 31, 2011



					Millions of Yen	Thousands of U.S. Dollars (Note 2)
2006	2007	2008	2009	2010	**2011**	**2011**
¥ 730,944	¥ 822,813	¥ 955,792	¥ 879,719	¥ 785,499	**¥ 887,513**	**$ 10,673,638**
468,944	494,663	551,551	561,642	552,409	**575,536**	**6,921,659**
195,413	226,143	269,072	269,892	246,944	**257,924**	**3,101,913**
66,587	102,007	135,169	48,185	(13,854)	**54,053**	**650,066**
87,347	124,632	160,847	81,095	22,102	**88,087**	**1,059,369**
40,925	87,813	116,704	39,180	(17,672)	**46,506**	**559,301**
28,945	54,825	75,484	28,056	(12,615)	**27,313**	**328,474**
¥ 78.16	¥ 146.36	¥ 189.00	¥ 70.76	¥ (31.82)	**¥ 68.90**	**$ 0.83**
69.33	131.42	181.23	67.91		**68.83**	**0.83**
10.00	18.00	25.00	18.00	8.00	**19.00**	**0.23**
¥ 25,817	¥ 30,432	¥ 39,829	¥ 43,467	¥ 37,525	**¥ 29,776**	**$ 358,104**
20,760	22,625	25,678	32,910	35,956	**34,034**	**409,303**
37,139	47,218	58,373	61,489	60,261	**60,767**	**730,817**
¥ 690,920	¥ 748,939	¥ 820,622	¥ 749,805	¥ 740,632	**¥ 829,909**	**$ 9,980,870**
243,122	348,445	393,126	379,087	372,070	**389,220**	**4,680,941**
35.2	46.5	47.9	50.5	50.2	**46.9**	
13.2	18.5	20.4	7.3	(3.4)	**7.2**	
4.4	7.6	9.6	3.6	(1.7)	**3.5**	

Net Income (Loss) and Basic Net Income (Loss) per Share
Years ended March 31

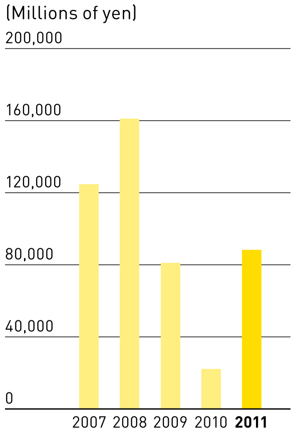
(Millions of yen) (Yen)



Net Income (Loss) (Left scale)
Basic Net Income (Loss) per Share (Right scale)

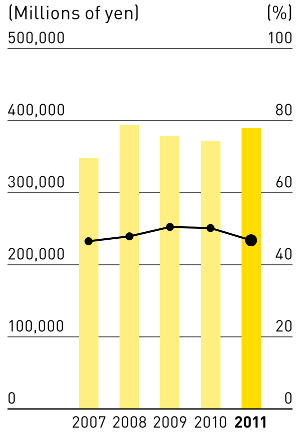
EBITDA
Years ended March 31

(Millions of yen)



Total Equity and Equity Ratio
March 31

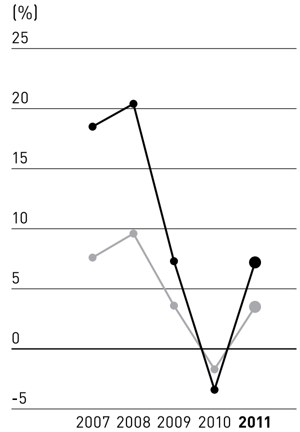
(Millions of yen) (%)



Total Equity (Left scale)
Equity Ratio (Right scale)

ROE and ROA
Years ended March 31

(%)



ROE
ROA

Strategies to be a corporate group that consistently offers new value and continues to grow

In the global era, business environments change rapidly. The Nikon Group, following the four basic policies of its Medium Term Management Plan, will respond to these changes, continuously provide new value and realize sustainable growth.

The Four Basic Policies of the Medium Term Management Plan

1

Expanding

the Nikon brand

Promote the "spirit of innovation" that is the strength of the Nikon brand, and combine this with the idea of "fun."

2

Creating

new businesses

Create new businesses in existing and new fields.

3

Realizing

unified and quick-responding organizations

Achieve global cooperation with business units and headquarters acting autonomously, with a sense of unity and speed.

4

Strengthening

business functions and innovating processes

Build high-level linkage between all business functions to complement Nikon's advanced technology.

Key Measures of the Medium Term Management Plan

Nikon regained profitability in the fiscal year ended March 2011 despite the impact from the Great East Japan Earthquake, and made progress toward achieving the goals of the previous medium term management plan announced in June 2010. From the fiscal year ending March 2012, we will focus on overcoming the difficulties in parts procurement and other issues in the aftermath of the earthquake, the timely launch of new products and strengthening marketing, sales, service and other business processes. Through these measures Nikon will aim to be the leading company in all of its principal businesses.

- **Gain the leading position in all main business segments and create new businesses.**
- **Link individual business functions at high levels, and optimize overall business processes.**
- **Promote globalization and human resource localization.**
- **Promote decentralized management in each internal company and strengthen corporate functions.**
- **Strengthen risk management based on experiences from the earthquake disaster.**

Capital Investment and R&D Plan

Nikon will make the necessary investments to strengthen and expand existing businesses, and to support new business expansion. R&D spending will be maintained at 6%–7% of net sales.

Cumulative capital investment and R&D spending for the fiscal years ending March 2012 to 2014

Capital Investment: ¥150 billion (up ¥30 billion from previous plan for: FY2011/3 to FY2013/3)

R&D Spending: ¥210 billion (up ¥10 billion from previous plan for: FY2011/3 to FY2013/3)

Consolidated Financial Targets

Years ended/ending March 31

(Billions of yen)	2011	2012	2014
Net Sales	887.5	940.0	1,200.0
Operating Income	54.1	68.0	135.0
Net Income	27.3	42.0	80.0

Exchange Rate (Yen)
2011 U.S.$1 = ¥86 1 euro = ¥113 (Announced on May 12, 2011)
2012 U.S.$1 = ¥80 1 euro = ¥115
2014 U.S.$1 = ¥80 1 euro = ¥110

The Nikon Group is working to build a leading position and realize sustainable growth

In the fiscal year ended March 2011, on a consolidated basis, Nikon achieved a 13% increase in net sales compared with the previous fiscal year and a return to profitability. This result was mainly driven by the ongoing robust sales performance of the Imaging Company and recovery in the Precision Equipment Company and Instruments Company. The corporate structural reforms we implemented two years ago also contributed to this turnaround. The Nikon Group is working to build leading positions in all of its major businesses, as well as continuously provide new value and realize sustainable growth.

MICHIO KARIYA
Representative Director,
Chairman of the Board

MAKOTO KIMURA
Representative Director,
President, Member of the Board

JUNICHI ITOH
Representative Director, Member of the Board,
Executive Vice President and CFO

What has been the impact on Nikon from the Great East Japan Earthquake, which occurred on March 11, 2011, and how have you responded to the earthquake?

First of all, I wish to express my sincerest condolences to all those who have lost family and friends during the Great East Japan Earthquake and its aftermath. I also wish to express my deepest sympathies to those whose communities have suffered damage from the earthquake and tsunami and those who have suffered personal injury or damage to property. Further, it is with profound regret that I must report that members of the Nikon Group also died in the disaster.

In the fiscal year ended March 2011, the earthquake had a negative impact on net sales amounting to ¥8,000 million and a negative impact on operating income of ¥3,000 million. Furthermore, one plant and seven manufacturing companies in the Group sustained damage from the disaster and had to suspend operations. However, by the end of March all facilities had steadily begun to resume operations, and by the end of April 2011 we were able to restore our production capacity to the pre-quake level.

Since the earthquake, I have been moved by the high level of determination shown by the Group's front-line personnel toward recovery, as well as their strong teamwork. In extremely difficult circumstances, their efforts have exceeded senior management's expectations and we are very grateful. We have received a large number of messages of encouragement from all over the world, and we feel thankful for this overwhelming support. It has been a strong reminder of the trust enjoyed by the Nikon brand and the high expectations it carries.

Despite such severe circumstances as the earthquake and the appreciation of the yen, Nikon achieved a return to profitability in the fiscal year ended March 2011. What is your analysis of the factors behind this result?

In the fiscal year ended March 2011, significant factors that contributed to overall Group operating results included a recovery in market conditions for IC steppers and scanners, and growth in the market for LCD steppers and scanners in the Precision Equipment Company; continuing robust sales in the Imaging Company; and a recovery in the industrial instruments market in the Instruments Company. As well as absorbing the impacts of the earthquake and appreciation of the yen, in line with our plans we achieved an increase of 13% in net sales and a return to profitability.

In the Precision Equipment Company, underpinned by a recovery in global demand for semiconductor devices and expansion in the mobile equipment market, we recorded an increase in unit sales of the cutting-edge IC steppers and scanners and LCD steppers and scanners for large-scale LCD panels. This enabled the Precision Equipment Company to post a large increase in net sales and return to profitability. In the Imaging Company, the digital SLR camera market steadily expanded, and demand in the compact digital camera market continued to increase, driven particularly by emerging markets. These conditions meant the Imaging Company was able to absorb the effects of the appreciation of the yen and record increases in both net sales and operating income.

+13%

In the Instruments Company, we focused on high-end systems for the bioscience field and worked on product launches and sales expansion of highly differentiated products in the industrial instruments field. As a result, the Instruments Company posted a large increase in net sales and reduced its operating loss for the fiscal year, while recording in the fourth quarter its first quarterly operating income in 12 quarters.

Please provide your outlook for business environment faced by the Nikon Group during the fiscal year ending March 2012.

2012

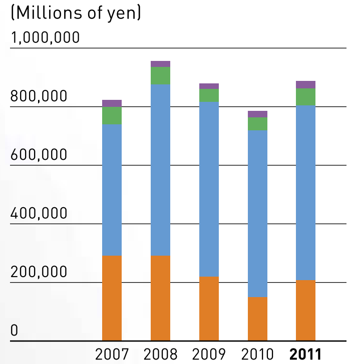
The business environment is recovering, and we envisage that the growth trend will continue during the fiscal year ending March 2012. In particular, we think that growth in emerging countries will be a key driver. Further, although the Great East Japan Earthquake caused damage to component supply chains, the situation is improving more rapidly than we originally anticipated.

In the Precision Equipment Company, the IC stepper and scanner market is expected to remain firm, and shipments of the ArF immersion scanner NSR-S620D are anticipated to move into full swing. In the LCD stepper and scanner market, particularly in Asia, we are forecasting growth in the market relating to equipment for small to medium-sized LCD panels, a product area in which Nikon excels. Based on these conditions, we anticipate substantial increases in net sales and operating income in the Precision Equipment Company in the fiscal year ending March 2012. In the Imaging Company too, we forecast steady growth in the digital SLR camera market and the compact digital camera market is also expected to see continuing sales growth in emerging countries. Difficulties in component procurement, which had been a cause for concern, are now being resolved, and we anticipate that we will be able to achieve steady growth in unit sales of both digital SLR cameras and compact digital cameras.

MAKOTO KIMURA
Representative Director,
President, Member of the Board

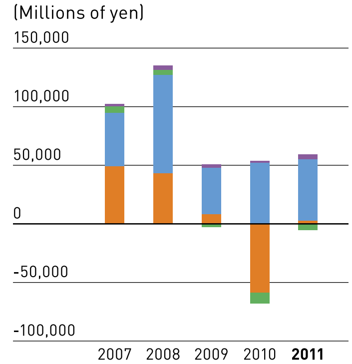
Sales by Business Segment

(Millions of yen)



Operating Income (Loss) by Business Segment

(Millions of yen)



Precision Equipment Imaging Products Instruments Other

Note: The "Other" segment comprises businesses not included in reportable segments, such as the glass-related business, sport optics products business and customized products business.

In the Instruments Company, we will continue our efforts from the previous fiscal year to expand sales of high-end systems for the bioscience field, and in the industrial instruments field we intend to move into full swing with sales of our new non-contact, three-dimensional (3D) measurement systems. On a full-year basis, we are aiming to reach profitability in the Instruments Company.

You have said that the Medium Term Management Plan aims to build a corporate group capable of continuously providing new value. Please outline your thinking behind the plan and the key points you perceive in the development of the Group's businesses.

The basic thinking behind the Medium Term Management Plan is that to become a corporate group capable of continuous growth, we must transform our corporate structure into one that is very sturdy and resilient. What makes corporate growth possible is not the hit products themselves. The essential prerequisites for sustainable growth are the structures capable of producing hit products and the systems that facilitate the necessary post-sales business operations. To realize such structures, the Nikon Group has adopted four key policies. They are: "Expanding the Nikon brand," "Creating new businesses," "Realizing unified and quick-responding organizations" and "Strengthening business functions and innovating processes."

In addition to applying our full energies to realizing these basic policies, in the fiscal year ending March 2014, we are targeting net sales of ¥1,200,000 million and operating income of ¥135,000 million.

In the Precision Equipment Company, we aim to bolster competitiveness and expand market share by moving toward early, steady production and expanded sales of the NSR-S620D. We will also shorten the manufacturing lead time to six months for our cutting-edge IC steppers and scanners. By doing so, we will increase out sales opportunities during periods of market expansion and reduce inventory risk during periods of market contraction. It will also enable further cost reductions and reinforce profitability. In the LCD stepper and scanner business, we will pursue product development that responds to market needs for increasingly high-precision images.

In the Imaging Company, we will focus on raising brand recognition and strengthening brand image as we strive to become the No. 1 brand in the imaging field. To achieve this, I believe that a key theme is to pioneer emerging markets. In the past few years, we have focused on developing our brand in the BRICs markets, beginning with China, Russia and India. More recently, we established a sales subsidiary in Brazil. We have also set up a sales subsidiary in Thailand and intend to focus further on developing other markets.

We have almost completed development of new generation digital cameras that we began working on several years ago, which will offer customers new ways to enjoy images. We are currently monitoring world market trends as we consider the appropriate timing for the launch of these new products.

The Four Basic Policies of the Medium Term Management Plan

1 Expanding the Nikon brand

2 Creating new businesses

3 Realizing unified and quick-responding organizations

4 Strengthening business functions and innovating processes

1,200,000

In the Instruments Company, we provide high-value-added products that respond to diverse customer needs. In the microscope business, we are striving to build a leading position in cutting-edge research fields, while in the measuring instruments business, we are working to build a leading position in the non-contact, 3D measurement systems field.

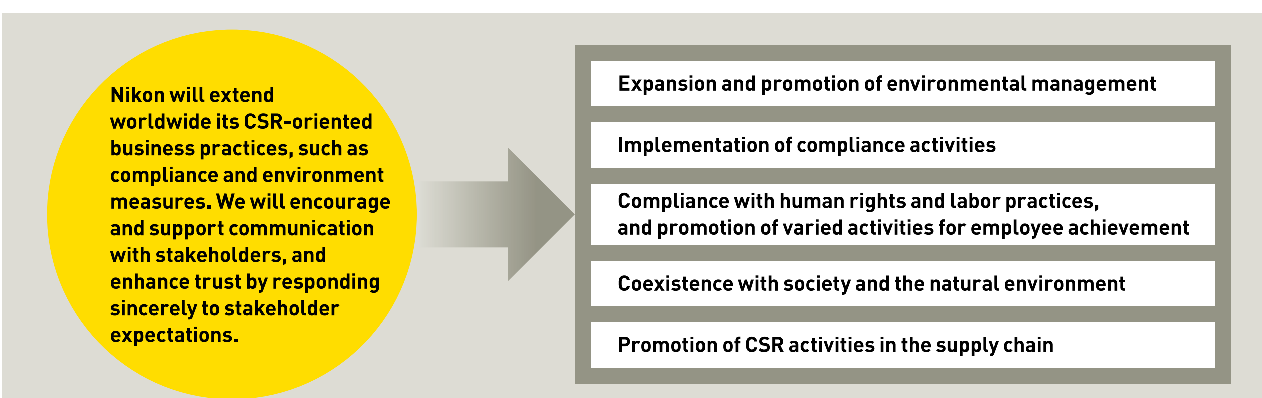
What are your main policies regarding corporate social responsibility (CSR)?

The Nikon Group has actively promoted the concept of CSR since 2006, when "CSR-oriented management" was adopted as a goal of its Medium Term Management Plan. Since then, Nikon has implemented a broad range of measures in line with its commitment to CSR, including the establishment of the 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.

From the fiscal year ending March 2012, under the Group's medium term plan for CSR, we are promoting the following as key CSR issues to be addressed by the entire Group: :expansion and promotion of environmental management; implementation of compliance activities; compliance with human rights and labor practices, and promotion of varied activities for employee achievement; coexistence with society and the natural environment; and promotion of CSR activities in the supply chain. For example, in relation to "promotion of varied activities for employee achievement" we believe that a global perspective on human resource management is important, while in relation to "environmental management," we believe that it is crucial to realize processes for manufacturing that require low energy inputs.

Following the recent major earthquake in Japan, much attention has been focused on risk management and business continuity planning. Risk management is a very multifaceted discipline. We need to analyze risks not only for Nikon directly and prepare response measures but also consider many details, including the supply chain, from a broader, social-responsibility perspective. In the future, we will strive to develop our business globally while constantly maintaining a strong awareness of CSR.

Group Goals for the CSR Medium Term Plan (three-year plan for the fiscal years ending March 2012 to 2014)



Please explain Nikon's policies regarding shareholder return.

Nikon's basic policy regarding the distribution of earnings is to expand capital investment and R&D spending 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. While carrying out shareholder return through dividends and share buybacks, we pursue capital investment and investment in R&D to ensure that the Group is able to fully exploit growth opportunities.

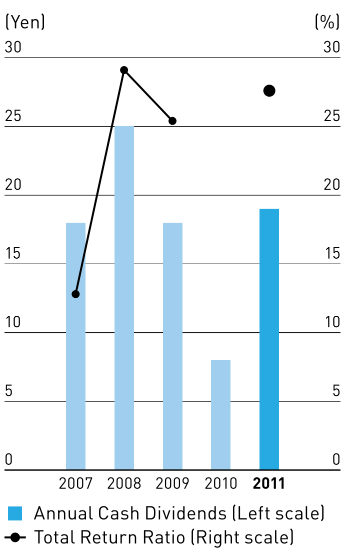
For the fiscal year ended March 2011, in line with higher net sales and the return to profitability, we increased our year-end dividend by ¥10 per share compared with the previous fiscal year, to ¥14 per share. Total dividends applicable to the fiscal year amounted to ¥19 per share (payout ratio of 27.6%). For the fiscal year ending March 2012, Nikon plans to pay a full-year dividend of ¥27 per share (including an interim dividend of ¥10 per share).

25%+

Please provide your closing message to shareholders and investors.

Since the Great East Japan Earthquake, we have received many warm messages of support and encouragement from shareholders, investors and other stakeholders from all over the world. This has once again served to remind us of the high level of recognition received by the Nikon brand worldwide and also reaffirmed our significant responsibilities as a global company with over 85% of net sales outside Japan. I am pleased to report to shareholders and investors that the Nikon Group has applied its utmost efforts to affecting a swift recovery and that we are working vigorously toward the numerical targets announced in the Medium Term Management Plan.

Annual Cash Dividends and Total Return Ratio
Years ended March 31



The Precision Equipment Company plans to boost sales and achieve a sharp rise in earnings by enhancing the capabilities of the NSR-S620D ArF immersion scanner that is used for double patterning* to expand market share, and by increasing sales of products for small to medium-sized high-precision panels.

PRECISION EQUIPMENT COMPANY

Priority Measures for the Medium Term Management Plan

- Increase the competitiveness of ArF immersion scanners to expand market share
- Develop LCD steppers and scanners that satisfy requirements for higher resolution capabilities
- Enhance profitability through shorter manufacturing lead times and cost reductions
- Develop new technologies and pursue expansion into new businesses

* 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 a wafer, providing a final, dense circuit pattern.

Review of the Fiscal Year Ended March 2011

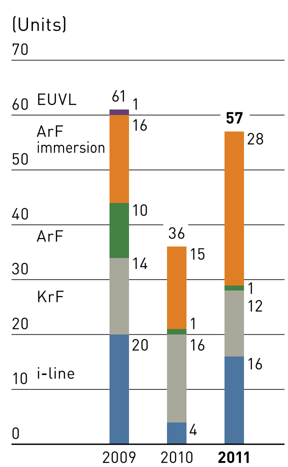
Unit sales of IC and LCD steppers and scanners increased during the fiscal year ended March 2011, with segment sales amounting to ¥208,614 million (up 39.0% year on year). A significant reduction in losses from write-downs and inventory disposal, which had been close to ¥40,000 million in the previous fiscal year, helped us to achieve our goal of reversing that year's operating loss, while operating income also improved by more than ¥60,000 million, to ¥2,712 million.

57

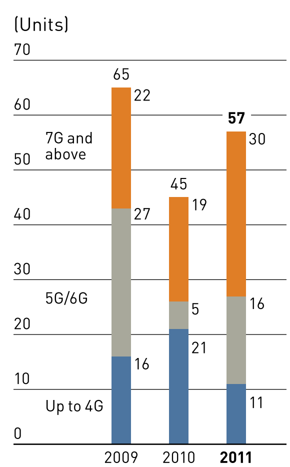
The market for IC steppers and scanners recovered strongly as chipmakers increased their capital spending. Nikon recorded a sharp rise in unit sales to 57 units in the subject fiscal year, compared to 36 in the previous fiscal year. Unit sales of ArF immersion scanners, including the latest model NSR-S620D system, nearly doubled to 28 units from 15 in the previous fiscal year.

LCD steppers and scanners unit sales also increased to 57 units in the subject fiscal year from 45 in the previous fiscal year. Sales of five units were delayed until the fiscal year ending March 2012, due to temporary interruption of operations at one of our manufacturing plants following the

IC Steppers and Scanners, Sales Units by Technology
Years ended March 31



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



Great East Japan Earthquake. Demand for large-screen LCD televisions remained strong, and unit sales of scanners for 7th generation large glass plates and beyond increased to 30 units from 19 in the previous fiscal year.

Measures in the Medium Term Management Plan

Improve Profitability by Enhancing the Capabilities of the NSR-S620D ArF Immersion Scanner

The advanced capabilities of the NSR-S620D ArF immersion scanner will provide increased value for users. Therefore, it is a priority for Nikon to continue to enhance system performance to thereby expand S620D market share.

ArF Immersion Scanner
NSR-S620D

For the fiscal year ending March 2012, we expect unit sales of ArF immersion scanners to be roughly equivalent to those of the previous fiscal year. Sales are gradually shifting from the previous model NSR-S610C system to the highly competitive, leading-edge NSR-S620D, which now accounts for the majority of unit sales of ArF immersion scanners. This shift has greatly improved profitability in this area, and we expect that it will contribute to an increase in net sales and a sharp rise in earnings for the Precision Equipment Company overall.

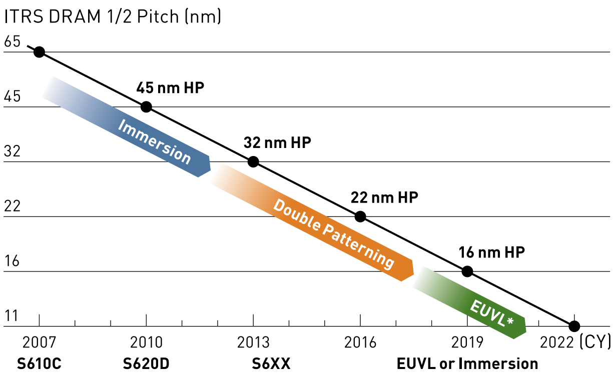
As of February 2011, we had achieved throughput of 200 wafers per hour and overlay accuracy of 2.5 nm with the NSR-S620D. Depending upon the customers' processing conditions, the NSR-S620D is able to produce more than 3,000 wafers per day. We believe that if we continue to enhance the system's capabilities to meet customer needs, we can achieve even higher earnings for the fiscal year ending March 2013 and onward.

We are also working to shorten the lead time for the scanner production process. Specifically, the lead time for manufacturing an ArF immersion scanner, which until now has been 12 months, will be halved in the fiscal year ending March 2012. This will allow us to both lessen our inventory risk and respond quickly to customer needs, while also enhancing earnings capacity by reducing costs.

KAZUO USHIDA
Director, Member of the Board and
Senior Executive Officer
President of Precision Equipment Company

In terms of future product strategies, with immersion double patterning the best method to achieve mass production of semiconductors at 22 nm, we consider an extension of this technology to be a viable candidate to 16 nm, and will focus our development efforts in this area. Extreme Ultra Violet Lithography (EUVL) is another candidate for 16 nm device production, and for the time being we plan to concentrate on development of the optical systems that are the most important aspect of this technology. We anticipate that production of semiconductors at 16 nm will begin around 2016, with full-fledged mass production emerging around 2018–19.

Lithography Roadmap



Immersion lithography with double patterning is applied up to 22 nm in volume production, while EUVL is applied to 16 nm and finer lines (volume production starts after 2018).

* Extreme Ultra Violet Lithography (EUVL) is a next-generation technology that uses short wavelength extreme ultraviolet light.

LCD Stepper
FX-903N

Increase Sales of LCD Steppers and Scanners for Small to Medium-Sized High-Precision Panels

For the fiscal year ending March 2012, we expect the market for LCD steppers and scanners (on a unit basis) to be roughly comparable to that of the previous fiscal year. At the same time, demand for panels used in smartphones and tablet computers remains strong, and we project that the major portion of the market will comprise LCD steppers and scanners used for small to medium-sized high-precision panels.

Nikon specializes in lithography equipment for this field, and we have sufficient capabilities to further enhance system performance to satisfy customer requirements. Accordingly, we are anticipating a considerable increase in unit sales of LCD steppers and scanners for small to medium-sized high-precision panels.

Meanwhile, we expect scanners for large-screen LCD televisions to experience a market adjustment in the fiscal year ending March 2012, in reaction to the earlier rapid growth. However, we believe there is the potential for demand for these scanners to pick up again from the fiscal year ending March 2013, as demand for replacement televisions and other factors drive a further increase in the larger size of LCD panels.

Enhancing Competitiveness

The Precision Equipment Company increased its operating income by more than ¥60,000 million and regained profitability in the fiscal year ended March 2011. We anticipate another sharp rise in earnings in the fiscal year ending March 2012, but are still not satisfied with this level of gains. Nikon has ample potential to achieve further earnings increases.

For example, Nikon ArF immersion scanners employ a new tandem stage platform rather than a single stage, which provides advantages for both improved throughput and overlay accuracy. In addition, our LCD steppers and scanners utilize a technology called multi-lens projection systems that allows them to be easily adapted for larger glass plates without any loss in resolution. We will work to strengthen our competitiveness by building upon such advantages to the fullest extent possible.

The Imaging Company is focusing on the expansion of market share in emerging countries and Europe, strengthening its procurement capabilities and shortening product development lead times.

IMAGING COMPANY

Priority Measures for the Medium Term Management Plan

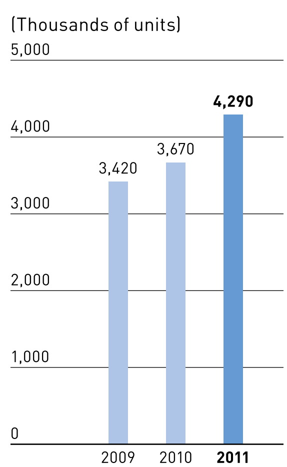
- Raise brand awareness and image to gain the leading brand position in the imaging field
- Create markets by launching new generation products and products in new domains
- Accelerate marketing in emerging countries to be the top runner
- Strengthen procurement capabilities and supply chains

Review of the Fiscal Year Ended March 2011

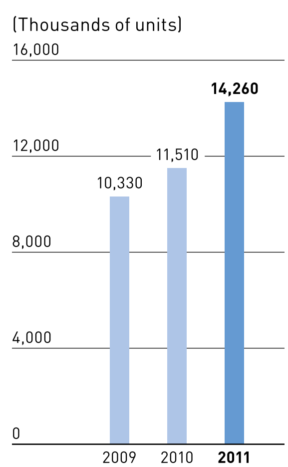
In the fiscal year ended March 2011, the Imaging Company achieved growth in unit sales across all three main product categories—digital SLR cameras, compact digital cameras and interchangeable lenses—compared with the previous fiscal year. As a result, despite the appreciation of the yen, the segment sales amounted to ¥596,376 million (up 4.7% year on year), and operating income totaled ¥52,332 million (up 0.4% year on year). Regarding the impact of the Great East Japan Earthquake, Sendai Nikon Corporation, a manufacturing subsidiary within the Imaging Company, sustained earthquake damage. It is with extreme sadness that we must report that the earthquake damage caused the deaths of employees. Although operations at the company were suspended temporarily, operations resumed once again by the end of March 2011. Since the Imaging Company has a very high ratio of overseas production and sales, the impact on operating performance in the fiscal year ended March 2011 was minor.

The market for digital SLR cameras continued the growth trend of the previous fiscal year. Although the delay in procurement of a particular electronic component led to the emergence of an opportunity loss, we grew sales, centered on the popular D3100 model, which was launched in September 2010, and

Unit Sales of Digital SLR Cameras
Years ended March 31



Unit Sales of Compact Digital Cameras
Years ended March 31



the mid-range D7000 model, which we released in October 2010. As a result, we recorded a 16.9% increase in digital SLR camera unit sales compared with the previous fiscal year.

While the overall market for compact digital cameras grew only slightly compared with the previous fiscal year, Nikon posted a 23.9% increase in unit sales. The COOLPIX S8100, a slim model that features a powerful optical zoom, achieved robust sales. Nikon's market share grew in each region and Nikon rose to take the top market share for compact digital cameras in North America in the second half of the fiscal year.

In interchangeable lenses, both camera kits and high-priced lenses performed strongly. The cumulative production of the NIKKOR lens for SLR cameras reached 60 million units during the fiscal year under review.

Measures in the Medium Term Management Plan

Bolstering Marketing Capabilities and Brand Strength while Developing Emerging Markets

The digital SLR camera market is forecast to grow steadily across all global regions, including Europe and the United States. In the compact digital camera market, although emerging markets—centering on Asia—are expected to grow, the European, U.S. and Japanese markets are forecast to remain flat. Although the Great East Japan Earthquake caused damage to the component supply chains for both digital SLR cameras and compact digital cameras, these problems are now moving toward resolution. Nikon anticipates that it will be able to achieve sound growth in unit sales of both digital SLR cameras and compact digital cameras.

Further, Nikon has almost completed development of new generation digital cameras that it began working on several years ago as products that would pioneer a new market sphere. Nikon is currently monitoring world market trends as it considers the appropriate timing for the launch of these new products.

Based on efforts to bolster marketing capabilities and brand strength, Nikon will continue to focus on market development, particularly in emerging countries and regions in which Nikon has a low market share. As part of this strategy, in April 2011 we established sales subsidiaries in Thailand and Brazil and commenced business operations. We firmly believe that it will be possible to achieve rapid sales growth in these markets.

To increase market share in emerging countries, brand building is crucial. Fortunately, a superior Nikon brand image has already taken root in emerging countries. We are striving to further develop that image into "Nikon is a sophisticated, fashionable brand that provides extremely high-quality products covering the full spectrum of needs, from the novice user to the professional."

These brand-building efforts are steadily beginning to blossom. We have already built a leading market share for digital SLR cameras—one of our established areas of strength—in many countries, and in the compact digital camera market, we are increasing market

Digital SLR Camera
Nikon D7000

Digital SLR Camera
Nikon D3100

share in such countries as India, China and Russia.

Aiming to Expand Market Share in Europe

In the European market, where Nikon has been slow to expand its sales, in the fiscal year ending March 2012—continuing on from the previous fiscal year—we are undertaking a concerted push to improve our position. To reinforce our compact digital camera marketing capabilities in Europe, I want to fully utilize my own experience in successfully achieving a large increase in market share when I served as president of Nikon Inc., the Imaging Company's U.S. sales subsidiary.

Compact Digital Camera
Nikon COOLPIX S9100

Compact Digital Camera
Nikon COOLPIX P300

Although the United States is the world's largest compact digital camera market, it is spread over a very wide geographic territory. Consequently, half-hearted measures will not lead to a successful increase in market share. With this in mind, we focused on three key market expansion policies: (1) the development and launch of products suited to the U.S. market; (2) the rollout of aggressive television advertising campaigns to raise brand awareness; and (3) the rebuilding of a seamless array of sales channels covering the entire U.S. market, from specialty stores to mass-merchandise chains. Through this successful approach, Nikon gained the top market share in the United States for compact digital cameras. By leveraging this kind of experience, I intend to provide comprehensive leadership as we strive to make Nikon the No. 1 compact digital camera brand in Europe. Already in Europe our campaigns are proving very popular and Nikon's position is gradually improving.

No.1

Strengthening procurement capabilities and shortening product development lead times

At the Imaging Company, the issue we are addressing with the highest priority is the strengthening of procurement capabilities. Our objective is to pursue the greatest possible production-cost reductions. To realize this goal, we have newly established a specialist organizational unit. The new unit will increase the efficiency of intense procurement negotiations and the management of procurement processes with the aim of reducing costs.

Another issue we are addressing is the shortening of product development lead times. To successfully compete against our peers, the realization of shorter lead times is absolutely imperative. To this end, it is essential to thoroughly clarify all processes related to product development, and review and reform these processes.

All of Nikon's principle competitors are very large and powerful companies. To prevail in such a fiercely competitive environment, we want to address a wide range of issues and constantly take on difficult challenges with even greater determination, without compromising lightly on anything we do.

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

The Instruments Company plans to increase sales and market share by enhancing its lineup of high-end products in the bioscience field, and by focusing on non-contact, three-dimensional (3D) measurement systems in the industrial instruments field.

INSTRUMENTS COMPANY

Priority Measures for the Medium Term Management Plan

- Bioscience: Attain the leading position in advanced research fields
- Industrial Instruments: Attain the leading position in non-contact, 3D measurement systems
- Utilize the strengths of existing businesses to nurture and expand new businesses in the bioscience field

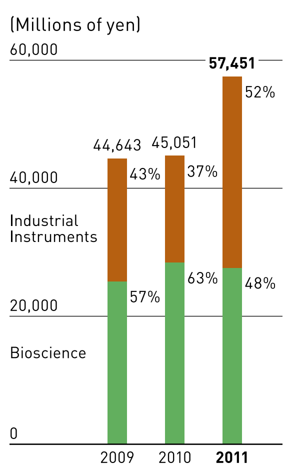
Review of the Fiscal Year Ended March 2011

The Instruments Company recorded a considerable increase in sales in the fiscal year ended March 2011, to ¥57,451 million (up 27.5% year on year), and reduced its operating loss by nearly half, to ¥5,248 million (compared with an operating loss of ¥9,331 million in the previous fiscal year). In the fourth quarter the segment achieved profitability for the first time in 12 quarters, providing considerable momentum for great strides in the fiscal year ending March 2012.

In the bioscience field, the market shrank in major countries as a result of reductions in public budgets following the conclusion of economic stimulus measures. However, Nikon managed to maintain sales at the same level as in the previous fiscal year on strong sales of high-end products such as the N-SIM and N-STORM super resolution microscopes and confocal microscopes.

In the industrial instruments field, markets recovered in Japan and other Asian countries. There were steady capital expenditures in such industries as semiconductors, and electric and electronic components, resulting in a considerable year-on-year increase in sales of industrial microscopes, measuring instruments and semiconductor inspection equipment. Sales was also boosted by Nikon Metrology NV, established following the October 2009 acquisition

Sales by Product Group
Years ended March 31



+10%

of a Belgian measuring equipment manufacturer possessing technologies in non-contact, 3D measurement systems. Several distinctive new products were also launched during the fiscal year ended March 2011, such as the HN-6060 non-contact, multi-sensor, 3D metrology system (December 2010) and the ShuttlePix P-400R digital microscope (November 2010).

Measures in the Medium Term Management Plan

High-End Products and Emerging Markets Are Key in the Bioscience Field

In the Japanese market, we expect that measures to secure the necessary funding for disaster recovery will affect the budgets of universities and research institutions, and that instrument purchasing budgets will decline in the second half of the fiscal year ending March 2012. In overseas markets, we anticipate steady growth, with continued curbs on public spending in the United States, relative stability in Europe and continued strong growth in emerging markets such as China and India.

Considering this market environment, for our strong-selling, high-end products such as super resolution microscopes and confocal microscopes, we plan to continue making improvements in such areas as software, and to utilize direct sales channels in the field of advanced research, thus giving sales further momentum. For products in the volume sales range sold through distributors and similar sales channels, we will aim to enhance our market position, and expand the scale of sales. For both types of products we will take steps to increase sales in emerging markets, with a year-on-year increase in sales of at least 10% in the bioscience field for the fiscal year ending March 2012.

Super Resolution Microscope
N-SIM

Opening New Markets in the Industrial Instruments Field with Non-Contact, 3D Metrology

The market for industrial instruments for semiconductors and electronic components is driven by such products as smartphones and LEDs, and we expect this market to remain firm. The market for automotive instruments may dip temporarily as a result of the effects of the Great East Japan Earthquake, but we anticipate a growth trend over the medium term led by emerging markets.

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

Nikon is working to strengthen its sales force, focusing on non-contact, 3D measurement systems, and targeting regions and industries where its market share is still low. In the non-contact metrology field in particular, to date our two-dimensional measuring systems have captured markets in such fields as semiconductors and electronic components. With sales efforts now fully underway for the HN-6060 system, a 3D measuring system launched in December 2010 that offers advanced functionality and performance, we will focus not only on the aforementioned fields but also on opening up new markets for instruments catering to such fields as the automotive and aerospace industries. An important issue in this field is putting the Nikon Metrology NV business on track. The company's business foundation has been in Europe, and we plan to restructure and integrate the development, manufacturing and sales structures to expand sales channels in Japan and other Asian countries.

Non-contact, Multi-sensor, 3D Metrology System HN-6060

Digital Microscope ShuttlePix P-400R

Turning Vision into Information

In the instruments business, "precision" is an important keyword in a world that works at the micro and nano levels. For both biological microscopes and industrial instruments, ensuring performance that pushes boundaries is essential. We have attained and maintained this by developing, for example, in the case of biological microscopes, measurement instruments that accurately correct aberrations to enhance image quality, and in the case of industrial instruments, standard-scale measuring instruments with world-leading measurement capabilities. This consistent dedication to the highest levels of fundamental performance and precision is embedded in Nikon's corporate DNA.

Reflecting this, the Instruments Company has adopted a new mission statement, "Turning Vision into Information." We provide extremely precise images and data based on the advanced optical technologies we have accumulated over the years, and through this we seek to make many types of information available to customers. To address this, advancements in application software are essential.

The concept embodied in the mission statement indicates the direction of the Instruments Company to follow. We will steadily implement measures to realize this goal, and aim for further expansion of sales and improved earnings in the fiscal year ending March 2012.

The Nikon Group, in a global business environment, is strengthening corporate governance, improving its internal control systems and solidifying its relationship of trust with stakeholders by enhancing management efficiency and transparency.

Corporate Governance Organization

Management System

Nikon manages its business through an in-house company system that provides an integrated business structure incorporating the Group companies. Nikon adopted the Operating Officer system to allow management to be more responsive to changes in the business environment. A performance evaluation system was also brought in to conduct a results-based evaluation and to strengthen the relationship between performance and remuneration.

The Board of Directors and Executive Committee

The Board of Directors makes prompt decisions on matters of importance to the Nikon Group and monitors the exercise of duties by directors. Two independent outside directors have been invited to sit on the Board in order to further strengthen the supervisory function.

The Executive Committee deliberates on and resolves major issues regarding the general operation of company business, internal controls, and management, in accordance with the basic management policies as determined by the Board of Directors. This body also receives reports from each department regarding critical matters.

Corporate Auditors and the Board of Corporate Auditors

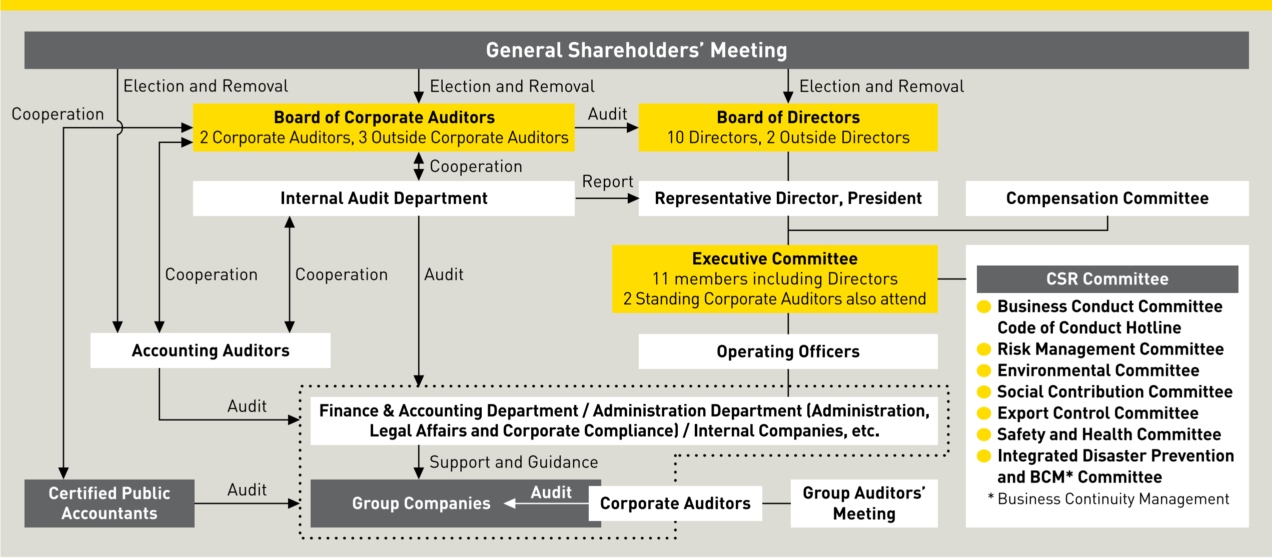
The members of the Board of Corporate Auditors periodically attend important meetings such as those of the Board of Directors and the Executive Committee in order to supervise the execution of duties by the directors, and to perform monitoring and auditing of corporate management and directors. Three independent corporate auditors from outside the Company have been invited to sit on the Board.

Internal Control System

Nikon acknowledges that the consideration for effective and efficient business processes and the achievement of the accuracy of financial reports, the compliance with relevant laws and regulations, and the preservation of Company assets are the management's responsibility. Accordingly, Nikon is continually working to develop the organizational structures and systems necessary to achieve these objectives. Steps taken to date to enable us to maintain and reinforce our sustainable internal control system include revision of rules for the delegation of authority, establishment of the Internal Audit Department to be operated independently from other operational departments, strengthening the management of information resources of the entire Nikon Group and establishment of the Internal Control Section to ensure compliance with the Financial Instruments and Exchange Law (J-SOX).

With business expansion in China and other areas of Asia, an Internal Audit Section was established in August 2010 at the Chinese/Asian regional headquarters in Hong Kong, to enhance the internal auditing functions at overseas Group companies. During the fiscal year ending March 2012, Nikon plans to establish an Internal Audit Section for the Americas at the holding company in North America in order to create an internal auditing structure covering four regions (Japan, Europe, China/Asia and the Americas) in the world.

Corporate Governance Organization Diagram (As of the end of June 2011)



The Nikon Group emphasizes CSR-oriented management in its business conduct, in the belief that the proper conduct of corporate social responsibility (CSR) will allow us to realize our corporate philosophy of "Trustworthiness and Creativity."

The CSR Medium Term Plan

The Nikon Group has actively promoted the concept of 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 the establishment of the 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.

From the fiscal year ending March 2012, we have reorganized the eight high-priority issues in the medium term plan for CSR into five priorities common to the entire Nikon Group: 1) Expansion and promotion of environmental management; 2) Implementation of compliance activities; 3) Compliance with human rights and labor practices, and promotion of varied activities for employee achievement; 4) Coexistence with society and the natural environment; and 5) Promotion of CSR activities in the supply chain. We have developed a medium term plan based on these priorities, and will implement measures to achieve them. Nikon will deploy its CSR-oriented business activities globally in order to meet the expectations of stakeholders, and to be sincerely deserving of their trust.

CSR Structure

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 2011, Nikon made preparations for the comprehensive promotion of CSR in Nikon Holdings Hong Kong Limited, established in August 2010. During the fiscal year ending March 2012, we will strengthen structure to promote CSR at Group companies in the China and Hong Kong region.

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. In April 2011, Nikon revised the Nikon Code of Conduct, which establishes the proper standards of behavior that all employees should observe in the conduct of their everyday business activities, thus creating a consistent version applicable both in Japan and overseas. Further, in accordance with Group policies regarding compliance established by the Nikon Business Conduct Committee, Nikon's Compliance Section conducts a wide range of educational and awareness training activities in cooperation with the persons in charge of promoting compliance assigned within the Company and at Group companies.

Risk Management

To ensure the sustainable development of the Nikon Group, we have established a Risk Management Committee to carry out comprehensive risk management and to counter risks that could have a major impact on business performance. The committee identifies risks, formulates countermeasures against those risks, implements a range of measures to minimize the damage that could be caused if a risk materializes, performs constant monitoring and manages the risks by implementing a PDCA cycle. At present, the committee is also working on information security management of risks for employees assigned overseas, and measures against pandemic influenza.

The Nikon Group regards it as part of its social responsibility to ensure business continuity, even in the event of a natural disaster or other contingencies, and has established an Integrated Disaster Prevention and BCM Committee to deal with risks associated with major earthquakes and fires. 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. Drawing on the experience gained from the Great East Japan Earthquake, we will revise our BCPs and will conduct more thorough education and training to enhance our risk management capabilities.

Environmental Conservation

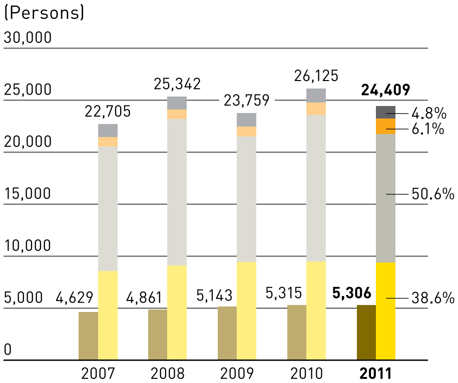
The Nikon Group formulated its Nikon Basic Environmental Management Policy in 1992, and enacted a major revision in 2002. This policy is designed to help the Group achieve its goal of becoming an environmentally friendly company able to achieve business growth while preserving the environment. A further 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 plan called the Nikon Environmental Action Plan, and has established environmental targets that are being implemented throughout the Group.

Promoting Diversity Activity

As a basic principle, we respect the diversity and human rights of employees with different backgrounds and treat them fairly, so that each of them can apply themselves to their work, display their abilities and produce results as a team. Nikon is also making preferential efforts to promote achievement for women in Japan, and to support the disabled.

Number of Employees by Region

Years ended March 31

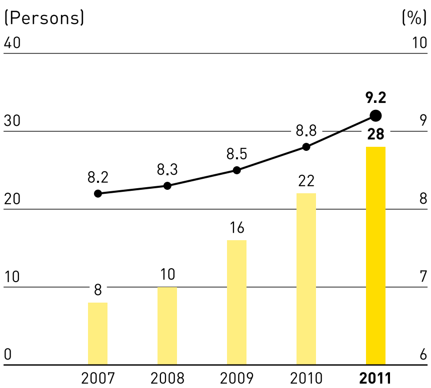


Non-consolidated: ■
Consolidated: ■ Japan ■ Asia and Oceania ■ Europe ■ North America

Note: Consolidated figures include permanent and non-regular staff in the Nikon Group. For regional percentages, employees of Nikon Corporation who are temporarily dispatched to Group companies are included in the region to which they are dispatched, while employees dispatched to non-consolidated companies are not included. Employees of Nikon Metrology NV and its subsidiary Group companies are included in the European figures.

Percentage of Female Employees and Number of Female Managers at Nikon Corporation

Years ended March 31



■ Number of Female Managers (Left scale)
●— Percentage of Female Employees (Right scale)

Note: Figures include permanent and non-regular staff at Nikon Corporation. The number of female managers refers to those at the level of section chief or higher.

External Evaluation

Major awards received in the fiscal year ended March 2011

April 2010	Nikon CSR Report 2009 recognized as Good Practice by UN Global Compact Japan Network
May 2010	Nikon Imaging (China) Co., Ltd. recognized as "Excellent Company for CSR in WND (Wuxi New District)" by the Wuxi New District Administrative Committee for the second consecutive year
June 2010	Nikon's Sagamihara Plant and Sendai Nikon Corporation awarded the Minister's awards from Japan's Minister of Health, Labour and Welfare
July 2010	Received the highest ranking in the digital camera category of the"2010 After–sale Service Satisfaction Ranking" in *Nikkei Business* magazine
August 2010	Nikon CSR Report 2009 received Notable Status on Communication on Progress (Notable COP) by UN Global Compact for the second consecutive year
October 2010	Ranked eighth in the Nippon Foundation's selection of 100 admirable CSR-oriented Japanese companies
November 2010	Nikon Salon awarded grand prize at the Mecenat Awards 2010

SRI Index Listings (As of March 31, 2011)

Nikon has been included in the FTSE4Good Japan Index in recognition of its commitment to CSR since 2004. In September 2010, Nikon was also selected as a component stock in the Morningstar Socially Responsible Investment Index (MS-SRI).

FTSE4Good MS-SRI

For more information on the Nikon Group's corporate governance and CSR activities, please visit www.nikon.com/about/csr/.
For Nikon's most recent CSR report, please go to www.nikon.com/about/csr/report/.

Financial Section
Management's Discussion and Analysis

Nikon Corporation and Consolidated Subsidiaries
For the year ended March 31, 2011

Business Environment

There were many bright spots in the business environment during the consolidated fiscal year ended March 31, 2011, including recovery in the production goods market, strong expansion of the imaging products market both in Japan and overseas and an increase in capital expenditures in the industrial instruments field.

These developments had a positive effect on business conditions for the Nikon Group's businesses as well. In the Precision Equipment Business segment, the recovery in global demand for semiconductor devices led to an increase in unit sales for both IC and LCD steppers and scanners, with a considerable rise in revenue that restored profitability in the business.

In the Imaging Products Business, the market for digital SLR cameras grew steadily in all regions, with expansion in the market for high-end products as well. Demand for compact digital cameras continued to rise throughout the fiscal year, centered on emerging markets. The business was able to overcome appreciation of the yen and the impact from the March 11 Great East Japan Earthquake to achieve increases in both revenue and earnings.

In the Instruments Business, sales of products in the bioscience field were affected by government budget cuts, but revenue rose in the industrial instruments on greater investment in semiconductor equipment, as well as in the electric and electronics components industry field on strong capital expenditures both in Japan and overseas. The business managed to narrow its losses as a result.

Operations at certain facilities were suspended as a result of the earthquake and tsunami, but Nikon made a concerted recovery effort as a corporate group, and resumed operations at all plants during March.

Financial Performance

The Nikon Group improved its earnings foundation by optimizing inventories and enhancing its tolerance for a strong yen, while also introducing products in a timely manner in line with the market recovery. As a result, consolidated net sales for the subject fiscal year increased ¥102,014 million (13.0%) from the previous fiscal year to ¥887,513 million. Operating income amounted to ¥54,053 million (compared to an operating loss of ¥13,854 million in the previous fiscal year), and net income totaled ¥27,313 million (compared to a net loss of ¥12,615 million). Basic net income per share was ¥68.90.

Income (Loss) Analysis

Years ended March 31, 2010 and 2011

	% of Net Sales	
	2010	**2011**
Net sales	100.0%	**100.0%**
Cost of sales	(70.3)	**(64.8)**
Gross profit	29.7	**35.2**
SG&A expenses	(31.4)	**(29.1)**
Operating income (loss)	(1.7)	**6.1**
Net interest expense and dividend income	0.0	**0.0**
Net other expenses	(0.5)	**(0.9)**
Income (loss) before income taxes	(2.2)	**5.2**
Income taxes	0.6	**(2.1)**
Net income attributable to minority interests		**3.1**
Net income (loss)	(1.6)	**3.1**

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

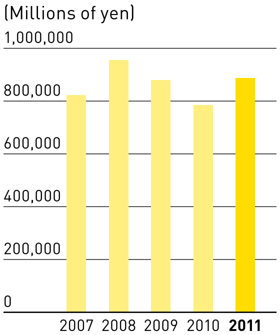
Performance by Business Segment

Business Segment Results

In the Precision Equipment Business segment, unit sales of IC steppers and scanners rose 2.5 times, and LCD steppers and scanners by 50% (both on a year-on-year basis) on rising demand for capital investment among semiconductor companies. In the market for IC steppers and scanners, Nikon expanded sales for leading-edge equipment models, including the NSR-S610C ArF immersion scanner, as well as the NSR-S620D ArF immersion scanner, which is capable of the double patterning that allows for the mass production of semiconductors with line widths of 32 nm and beyond. In the area of LCD steppers and scanners, Nikon captured demand for manufacturing the LCD panels used in large LCD displays, smartphones and tablet computers. We also took steps to strengthen our business foundation by

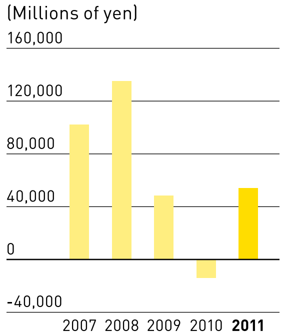
Net Sales
Years ended March 31

(Millions of yen)



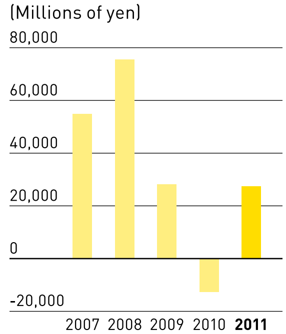
Operating Income (Loss)
Years ended March 31

(Millions of yen)



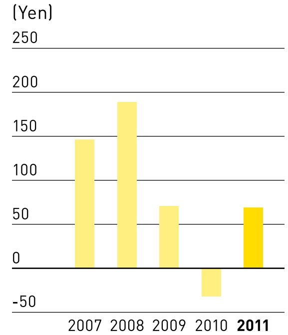
Net Income (Loss)
Years ended March 31

(Millions of yen)



Basic Net Income (Loss) per Share
Years ended March 31

(Yen)



shortening manufacturing periods and adopting common platforms. As a result, net sales in the Precision Equipment Business segment amounted to ¥208,614 million (up 39.0% year on year), with operating income of ¥2,712 million (compared to an operating loss of ¥58,557 million the previous fiscal year).

In the Imaging Products Business segment, sales of digital SLR cameras were positive, with steady sales of the entry model D3100 were steady, and remained strong for the mid-range D7000 model as well. For the COOLPIX series of compact digital cameras, sales increased for the S3000, P100, L110 and other models, and in the North American market Nikon attained the top market share during the second half with sales of the S8100 and other models. In interchangeable lenses, lens kits for digital SLR cameras sold well, and sales were steady for high-priced lenses as well. In March 2011, cumulative production of NIKKOR lenses for SLR cameras reached 60 million units. Nikon also focused on ideas for ways to enjoy images, and in February 2011 launched "my Picturetown 3D," an Internet site where users can convert digital images to 3D, and then playback and enjoy them on a special digital photo frame. In terms of production, we took steps to expand procurement in foreign currencies. As a result, net sales in the Imaging Products Business segment amounted to ¥596,376 million (up 4.7% year on year), with operating income of ¥52,332 million (up 0.4%).

In the Instruments Business segment, for the bioscience market Nikon expanded sales of high-end system products such as the N-SIM and N-STORM super resolution microscope systems. In the industrial instruments market, responding to the recovery in demand Nikon introduced feature-rich new products such as the ShuttlePix P-400R digital microscope, and the HN-6060 non-contact, multi-sensor, 3D metrology system. As a result, net sales in the Instruments Business segment amounted to ¥57,451 million (up 27.5% year on year), with the operating loss narrowing to ¥5,248 million (compared to a loss of ¥9,331 million the previous fiscal year). In the fourth quarter the business achieved profitability for the first time in 12 quarters.

In the Other Business segment, Nikon took steps to expand sales of space-related products, optical components and solid-state lasers in the customized products business; LCD photomask substrates in the glass-related business; and laser rangefinders and binoculars in the sport optics products business. As a result, net sales in the Other Business segment amounted to ¥25,072 million (up 20.1% year on year), with operating income of ¥4,259 million (up 152.7%).

For the component ratio of sales by business segment, the ratio rose for all segments expect Imaging Products. The Precision Equipment Business accounted for 23.5% (compared to 19.1% the previous fiscal year); the Imaging Products Business 67.2% (72.5%); the Instruments Business 6.5% (5.7%); and the Other Business 2.8% (2.7%).

Net Sales by Industry Segment
Years ended March 31, 2010 and 2011

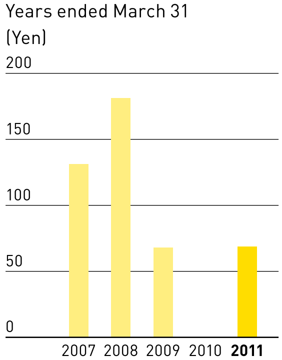
	Millions of Yen, %		Thousands of U.S. Dollars
	2010	**2011**	**2011**
Precision Equipment	¥150,101	**¥208,614**	**$2,508,883**
Share of net sales	19.1%	**23.5%**	
Imaging Products	569,465	**596,376**	**7,172,290**
Share of net sales	72.5	**67.2**	
Instruments	45,051	**57,451**	**690,939**
Share of net sales	5.7	**6.5**	
Other	20,882	**25,072**	**301,526**
Share of net sales	2.7	**2.8**	
Total	¥785,499	**¥887,513**	**$10,673,638**

Capital Expenditures and R&D Spending

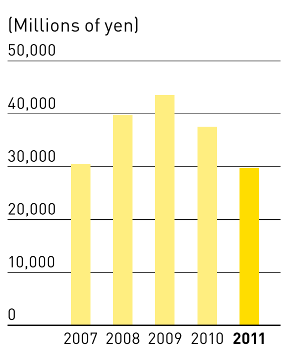
Capital expenditures for the fiscal year ended March 31, 2011 amounted to ¥29,776 million (down 20.7% year on year), mainly for renewal and repair of machine tools and other production equipment. By segment, spending in the Precision Equipment Business segment totaled ¥7,597 million, the Imaging Products Business segment ¥17,951 million, the Instruments Business segment ¥1,600 million and the Other Business segment ¥2,628 million.

R&D spending amounted to ¥60,767 million (up 0.8% year

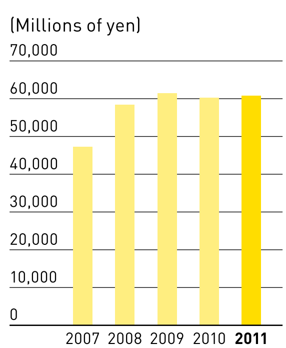
Diluted Net Income per Share
Years ended March 31



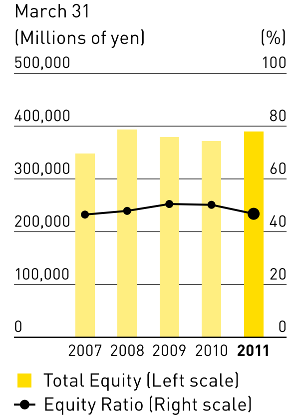
Capital Expenditures
Years ended March 31



R&D Costs
Years ended March 31



Total Equity and Equity Ratio
March 31



on year), and 6.8% as a proportion of sales. By segment, spending in the Precision Equipment Business segment totaled ¥20,838 million, the Imaging Products Business segment ¥23,814 million, the Instruments Business segment ¥4,512 million and the Other Business segment ¥11,607 million.

Financial Position

Total assets at March 31, 2011, amounted to ¥829,909 million, an increase of ¥89,277 million from the end of the previous fiscal year (March 31, 2010). Total current assets increased ¥106,331 million, due mainly to increases in cash and cash equivalents, and in inventories. Noncurrent assets (net property, plant and equipment plus total investments and other assets) decreased ¥17,054 million from the end of the previous fiscal year as a result of greater asset efficiency.

Total liabilities amounted to ¥440,689 million, an increase of ¥72,127 million from the end of the previous fiscal year. The Company lowered its lease obligations and other borrowings, and took steps to balance the cycle of bond issuances and redemption.

Total equity amounted to ¥389,220 million, an increase of ¥17,150 million, due mainly to an increase in retained earnings. The equity ratio decreased 3.3 percentage points from the end of the previous fiscal year, to 46.9%.

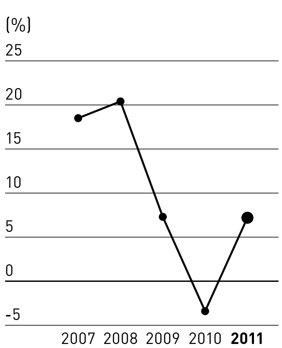
Balance Sheet Analysis

March 31, 2010 and 2011

	% of Total Assets	
	2010	**2011**
Total assets	100.0%	**100.0%**
Total current assets	65.4	**71.2**
Inventories	27.9	**28.5**
Property, plant and equipment	16.9	**14.3**
Investments and other assets	17.7	**14.5**
Total current liabilities	40.5	**41.2**
Short-term borrowings	2.0	**1.8**
Long-term debt, less current portion	5.6	**8.2**
Total equity	50.2	**46.9**

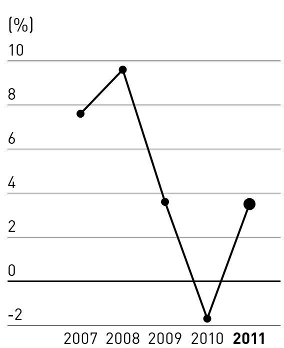
ROE

Years ended March 31



ROA

Years ended March 31



Cash Flow Analysis

Net cash provided by operating activities amounted to ¥123,614 million in the fiscal year ended March 31, 2011. This was due mainly to ¥46,506 million in income before income taxes; along with increases of ¥29,304 million in advances received; and ¥47,028 million in notes and accounts payable trade.

Net cash used in investing activities amounted to ¥23,590 million, a decrease of ¥23,518 million from curbs on acquisition of property, plant and equipment, and investment securities.

Net cash used in financing activities amounted to ¥20,122 million, a decrease of ¥11,355 million from cash used in the previous fiscal year. This mainly reflected ¥19,892 million in proceeds from the issuance of bonds; ¥10,000 million in proceeds from long-term debt; and ¥32,900 million in expenditures for redemption of bonds.

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 expenditures and R&D development) and striving to strengthen competitiveness." In accordance with this policy, the Company aims for a total return ratio of 25% or more, and to otherwise provide shareholder returns through dividend increases and the acquisition of treasury stock.

For the fiscal year ended March 31, 2011, Nikon has increased its year-end dividend by ¥10, to ¥14 per share, which along with the interim dividend of ¥5 per share is a full-year dividend of ¥19 per share (payout ratio of 27.6%). For the fiscal year ending March 31, 2012, we plan to pay a full-year dividend of ¥27 per share (of which, the interim dividend will be ¥10 per share).

Note: 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.

Business and Other Risks

The Nikon Group's business results could be materially affected by a variety of factors that might occur in the future. The following is a list of major potential risk factors that could affect the business of the Nikon Group.

Forward-looking statements in this text are the determination of the Nikon Group as of the time of preparation of this document.

1. Special Business Circumstances or Situations

Dependence on specific products

The Nikon Group is heavily dependent on its Precision Equipment and Imaging Products businesses, which together account for 90.7% of net sales. Accordingly, the performance of these businesses has a significant impact on the results of the entire corporate group.

The Precision Equipment Business is heavily dependent on IC steppers and scanners, and on LCD steppers and scanners, while the Imaging Products Business is dependent on digital cameras and interchangeable lenses.

Special circumstances for principal businesses

In the semiconductor industry, which is the target market for the IC steppers and scanners handled by the Precision Equipment Business, the wide fluctuations in the business cycle that had characterized the industry have eased in recent years as a result of greater diversity in finished products. Consequently, there is a risk that during periods of oversupply of semiconductor devices in the market that demand for steppers and scanners will decline as semiconductor manufacturers curb capital expenditures, with a corresponding increase in inventories. However, accurately predicting the timing, length and degree of such fluctuations is difficult. In addition, a distinctive characteristic of customer behavior in the industry is to postpone or cancel orders after they have been placed, creating a structure in which inventories can easily increase during periods of slowdown in demand. Demand for LCD steppers and scanners is dependent on trends in the LCD panel market, and should there be an oversupply of LCD panels prices will fall, and there could be a sudden falloff in demand for steppers and scanners.

The market for digital cameras, the principal product of the Imaging Products Business, continues to expand. While a further rise in ownership rates and market growth in emerging countries is expected, there is the potential for fluctuations to occur in the market, including slowdowns in demand for digital cameras stemming from such factors as economic cycles in individual regions, and the emergence of strong competing products such as new digital devices.

In the Instruments Business, the market for microscopes is reaching the point of saturation, and there is the potential for industry reorganization and other changes in the competitive structure. Also, the industrial instruments business is susceptible to economic conditions and equipment trends in a variety of industries, including semiconductors, electric, electronic components, automobiles and machine tools.

Such changes in the business environment could result in a substantive impact on the business results and financial position of the Nikon Group.

2. Dependence on Specific Suppliers

The Nikon Group is in certain areas dependent on specific suppliers to provide its businesses with raw materials, core components, finished goods manufactured under contract and other products. The Group strives to ensure stable procurement while maintaining close relationships with these specific suppliers. However, should there be significant disruptions to procurement due to sudden spikes in demand, natural disasters, quality issues or changes in strategy, bankruptcy or business failure on the part of specific suppliers, or should there be an appreciation of procurement prices, there could be a negative impact on the earnings and financial position of the Nikon Group.

3. Dependence on Specific Customers

The semiconductor industry, which composes the customer base for the Precision Equipment Business, is constantly shifting through mergers and alliances in order to adapt to the growing scale of capital expenditures and diversifying technology development. The relative merits in competitiveness of each company is becoming clearer depending on the technical capabilities they possess or the characteristics of the devices they manufacture, and the weeding-out process is continuing. The LCD panel industry is also facing a similar rise in the fierceness of competition, and moves toward industry reorganization are becoming apparent. Under such conditions, the capital expenditure programs of major customers of the Nikon Group are susceptible to change, including for example an acute decline in order volume, switching an order to a rival firm, or for whatever reason a situation arises that hinders the customer's ability to repay its debts. Such circumstances could have a negative impact on the earnings and financial position of the Nikon Group.

4. New Product Development Capability and R&D Investment

The Nikon Group's principal businesses are extremely competitive, and require constant development of new products through ongoing, advanced research and development. Consequently, continual investment in product development needs to be maintained regardless of fluctuations in the Group's earnings.

In the Precision Equipment Business, earnings could decline if the development of new products and next-generation technology is not conducted in a timely fashion, or if the technology developed by the Group is rejected by the market. There is also a risk that acquisition of a patent for new technology by a competitor will lead to a secession of production or sales, or that margins will decline as a result of royalty payments, as well as the possibility that new technology adopted for the systems of a competitor will drive down the price of the Company's systems. For LCD steppers and scanners, the entry of a new company into the market or the introduction of a new technology would likely lead to more intense competition, which could have an impact on earnings.

In the Imaging Products Business, technical advancement for digital cameras is rapid, products are becoming more sophisticated and diverse and continual investment is necessary to develop new products and technologies. However, if the results of such investment are not fully realized, or if there is a sudden shift in demand toward more advanced digital devices, it is possible that the technologies and products developed will not lead to greater earnings. Similar to the Precision Equipment Business, there is a risk that acquisition of a patent for new technology by a competitor will lead to a secession of production or sales, or that margins will decline as a result of royalty payments, which could have an impact on earnings.

5. Intensifying Price Competition

In digital cameras, the principal product of the Imaging Products Business, competition is becoming more intense with the entry into the market of electric goods manufacturers in Japan and overseas alongside traditional camera producers. Also, since the product lifecycle is short, particularly for compact digital cameras, companies tend to try to sell products manufactured in large quantities in a short period of time, which drives further price competition due to slower market expansion.

In IC steppers and scanners, there is a possibility that while the development of advanced technology progresses, competitors will launch a price-reduction offensive.

In the Instruments Business, the maturing of the microscope market will enhance competition centered on product differentiation. Price competition is becoming tighter particularly in the market for mid-range and low-end products, and a sudden fall in prices could have a negative impact on the earnings and financial position of the Nikon Group.

6. Overseas Business

The Nikon Group's production and sales activities are largely dependent on countries outside Japan. Consequently, business in Japan and overseas is susceptible to changes in laws, tax structures and regulations regarding imports and exports. Nikon's business activities could incur significant damage or loss as a result of risks inherent in overseas business, including fluctuations in political structure or economic environment; societal turmoil due to insurgency, terrorism, war, epidemic or other factors; damage to water, electric, telecommunications or other aspects of infrastructure, or to distribution functions as a result of natural disasters; and difficulties in recruitment or loss of personnel. Such events would constrain production and/or sales, which could have a negative impact on the earnings and financial position of the Nikon Group.

7. Currency Fluctuation Risk

The Nikon Group is heavily dependent on overseas markets, with overseas sales accounting for 85.7% of all sales. Consequently, although the Group conducts appropriate currency hedging in accordance with sales volume and region, sharp fluctuations in foreign currency markets could have an impact on sales and earnings from transactions conducted in foreign currency for the Group's products and services denominated, as well as on the profits, assets and liabilities of overseas subsidiaries, when converted into Japanese yen.

8. Financing Risk

The Nikon Group conducts financing appropriate to its capital needs, in consideration of the long-term and short-term balance, and balance of direct and indirect financing. However, deterioration in the finance market environment could have an impact on the Group's financing, including increase in interest rates, or limitations on financing methods. Further, downgrading of the ratings on the Company's corporate bonds or other issues as a result of deterioration in earnings could have a similar impact on the Group's financing.

9. Protection of Intellectual Property Rights and Litigation Risk

The Nikon Group has acquired and holds a large amount of intellectual property rights as a result of its product development activities. These intellectual property rights are sometimes licensed to other companies. The Company makes the utmost effort to maintain and protect these intellectual property rights, but in the event the unauthorized use of the Group's intellectual property rights leads to litigation, there is a possibility that substantial legal expenses could be incurred.

The Nikon Group also conducts its product development with due consideration to not infringing on the intellectual property rights of third parties, but there is a possibility that the Company will face litigation for infringement of intellectual property rights from other companies, individuals or other parties. Such circumstances could have a negative impact on the earnings and financial position of the Nikon Group.

10. Retaining Key Personnel and the Loss of Personnel or Expertise

The Nikon Group relies on personnel who possess expertise and skills in advanced technology and other areas, and retaining these personnel is important to overcoming the fierce competition in the market. However, in the event of further employment mobility for whatever reason, there is a possibility that these key personnel will leave, and their knowledge and expertise will flow outside the Company. To minimize the impact of such a loss of knowledge and expertise, the Company encourages the passing along, standardization and sharing of proprietary technologies and skills internally. In overseas locations as well, retaining exceptional local personnel is important, but there is a strong possibility of personnel loss in regions with high labor mobility.

In the Nikon Group's business technical innovation is rapid, and long-term education and training is essential to personnel development. Difficulties in replacing lost key personnel could have a negative impact on the future growth, earnings and financial position of the Nikon Group.

11. Information Leaks

The Nikon Group possesses technical data and other important information, corporate data on its trading partners and personal information on many customers and other related persons. The Company strictly limits external access to this information and has raised the security level for data storage. Internal regulations on the handling of information have been established, and the Company conducts employee training. However, a leak of technical data or other confidential corporate information could be detrimental to the corporate value of the Group. Further, should there be a leak of corporate data or personal information, not only would it be detrimental to the trust in the Group, but there is a possibility that trading partners, customers, employees or other related parties affected by the leak would demand damages. In such circumstances it would be necessary to take various actions to regain trust, provide compensation of affected companies or individuals, and implement measures to prevent a reoccurrence, which would require considerable expenditures. This could have a negative impact on the earnings and financial position of the Nikon Group.

12. Defects in Products or Services

The Nikon Group has established advanced quality assurance systems at its Group companies in Japan and overseas, as well as at the companies with which it contracts for production, and provides its customers with products and services with sophisticated functions and high reliability. However, should customers incur loss as a result of a defect in a product or service, the Company could sustain considerable costs for repair, liability indemnity, recalls or the disposal of products or other items. The loss of trust in the Nikon brand could also lead to diminishment of customer enthusiasm to purchase the Group's products and services. This could have a negative impact on the earnings and financial position of the Nikon Group.

Consolidated Balance Sheets

Nikon Corporation and Consolidated Subsidiaries
March 31, 2010 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	**2011**	**2011**
ASSETS			
Current assets			
Cash and cash equivalents (Note 14)	¥104,670	**¥181,061**	**$2,177,523**
Notes and accounts receivable—trade (Note 14):			
Customers	112,292	**120,530**	**1,449,552**
Unconsolidated subsidiaries and associated companies	1,481	**2,547**	**30,632**
Allowance for doubtful receivables	(8,328)	**(7,365)**	**(88,579)**
Inventories (Note 4)	206,996	**236,407**	**2,843,143**
Deferred tax assets (Note 11)	47,789	**42,640**	**512,810**
Other current assets	19,724	**15,135**	**182,011**
Total current assets	484,624	**590,955**	**7,107,092**
Property, plant and equipment (Note 5)			
Land	15,034	**14,778**	**177,725**
Buildings and structures	109,360	**111,255**	**1,338,000**
Machinery and equipment	163,452	**170,790**	**2,054,004**
Furniture and fixtures	59,476	**60,795**	**731,151**
Lease assets	13,946	**15,213**	**182,955**
Construction in progress	11,837	**7,566**	**90,995**
Total	373,105	**380,397**	**4,574,830**
Accumulated depreciation	(248,060)	**(261,381)**	**(3,143,487)**
Net property, plant and equipment	125,045	**119,016**	**1,431,343**
Investments and other assets			
Investment securities (Notes 3, 6 and 14)	53,900	**46,779**	**562,580**
Investments in and advances to unconsolidated subsidiaries and associated companies	9,880	**10,876**	**130,796**
Long-term loans to employees and other	927	**323**	**3,879**
Software	19,067	**19,016**	**228,692**
Goodwill	14,853	**13,236**	**159,177**
Security deposit	2,862	**2,647**	**31,828**
Deferred tax assets (Note 11)	18,874	**17,605**	**211,725**
Other	11,400	**9,717**	**116,897**
Allowance for doubtful receivables	(800)	**(261)**	**(3,139)**
Total investments and other assets	130,963	**119,938**	**1,442,435**
Total	¥740,632	**¥829,909**	**$9,980,870**

See Notes to Consolidated Financial Statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	**2011**	**2011**
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings (Notes 6 and 14)	¥ 14,899	**¥ 14,972**	**$ 180,063**
Current portion of long-term debt (Notes 6 and 14)	46,381	**4,183**	**50,305**
Notes and accounts payable—trade (Note 14):			
Suppliers	125,113	**170,955**	**2,055,981**
Unconsolidated subsidiaries and associated companies	574	**781**	**9,393**
Income taxes payable (Note 14)	3,503	**2,521**	**30,316**
Accrued expenses (Note 14)	48,626	**61,842**	**743,742**
Advances received	36,411	**63,626**	**765,199**
Other current liabilities	24,320	**23,415**	**281,603**
Total current liabilities	299,827	**342,295**	**4,116,602**
Long-term liabilities			
Long-term debt (Notes 6 and 14)	41,108	**68,320**	**821,653**
Liability for employees' retirement benefits (Note 7)	17,207	**14,951**	**179,808**
Retirement allowances for directors and corporate auditors (Note 2 (l))	602	**606**	**7,292**
Asset retirement obligations (Note 2 (k))		**2,325**	**27,958**
Suspense receipt by expropriation	8,173	**10,490**	**126,158**
Other long-term liabilities	1,645	**1,702**	**20,458**
Total long-term liabilities	68,735	**98,394**	**1,183,327**
Commitments and contingent liabilities (Notes 13, 15 and 16)			
Equity (Note 21)			
Common stock (Note 8):			
Authorized—1,000,000,000 shares; issued, 400,878,921 shares in 2010 and 2011	65,476	**65,476**	**787,443**
Capital surplus (Note 8)	80,712	**80,712**	**970,674**
Stock acquisition rights (Note 9)	327	**427**	**5,137**
Retained earnings (Note 8)	248,369	**272,228**	**3,273,934**
Treasury stock—at cost:			
4,458,536 shares in 2010 and 4,401,391 shares in 2011	(13,354)	**(13,174)**	**(158,431)**
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	6,061	**4,450**	**53,520**
Deferred loss on derivatives under hedge accounting	(31)	**(697)**	**(8,382)**
Foreign currency translation adjustments	(15,490)	**(20,202)**	**(242,954)**
Total	372,070	**389,220**	**4,680,941**
Total equity	372,070	**389,220**	**4,680,941**
Total	¥740,632	**¥829,909**	**$9,980,870**

Consolidated Statements of Operations

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31, 2010 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	**2011**	**2011**
Net sales	¥785,499	**¥887,513**	**$10,673,638**
Cost of sales	552,409	**575,536**	**6,921,659**
Gross profit	233,090	**311,977**	**3,751,979**
Selling, general and administrative expenses (Note 10)	246,944	**257,924**	**3,101,913**
Operating income (loss)	(13,854)	**54,053**	**650,066**
Other income (expenses)			
Interest and dividend income	1,251	**1,695**	**20,384**
Interest expense	(1,226)	**(946)**	**(11,373)**
Cash discounts	(3,958)	**(3,388)**	**(40,742)**
Foreign exchange gains	127	**2,995**	**36,019**
Loss on sales of property, plant and equipment	(4)	**(48)**	**(573)**
Loss on disposals of property, plant and equipment	(451)	**(1,001)**	**(12,037)**
Loss on impairment of long-lived assets (Note 5)	(115)	**(398)**	**(4,783)**
Loss on sales of investment securities	(13)	**(82)**	**(991)**
Loss on valuation of investment securities	(220)	**(4,512)**	**(54,268)**
Gain on sales of property, plant and equipment	82	**91**	**1,095**
Gain on sales of investment securities	98	**30**	**364**
Non-recurring depreciation on noncurrent assets	(86)		
Environmental expenses	(206)		
Loss on restructuring of business	(1,422)		
Effect of application of accounting standard for asset retirement obligations		**(1,073)**	**(12,908)**
Losses from natural disaster (Note 20)		**(2,313)**	**(27,819)**
Equity in earnings of unconsolidated subsidiaries and associated companies	992	**1,232**	**14,812**
Other—net	1,333	**171**	**2,055**
Other expenses—net	(3,818)	**(7,547)**	**(90,765)**
Income (loss) before income taxes	(17,672)	**46,506**	**559,301**
Income taxes (Note 11):			
Current	8,293	**13,096**	**157,499**
Deferred	(13,350)	**6,097**	**73,328**
Total income taxes	(5,057)	**19,193**	**230,827**
Net income before minority interests		**27,313**	**328,474**
Net income (loss)	¥ (12,615)	**¥ 27,313**	**$ 328,474**

	Yen		U.S. Dollars (Note 1)
Per share of common stock (Notes 2 (u) and 18)**:**			
Basic net income (loss)	¥(31.82)	**¥68.90**	**$0.83**
Diluted net income		**68.83**	**0.83**
Cash dividends applicable to the year	8.00	**19.00**	**0.23**

See Notes to Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

Nikon Corporation and Consolidated Subsidiaries
Year ended March 31, 2011

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2011	**2011**
Net income before minority interests	**¥27,313**	**$328,474**
Other comprehensive income (Note 17):		
Unrealized loss on available-for-sale securities	**(1,596)**	**(19,193)**
Deferred loss on derivatives under hedge accounting	**(667)**	**(8,013)**
Foreign currency translation adjustments	**(4,230)**	**(50,874)**
Share of other comprehensive loss in associates	**(497)**	**(5,974)**
Total other comprehensive loss	**¥ (6,990)**	**$ (84,054)**
Comprehensive income (Note 17)		
Total comprehensive income attributable to:	**¥20,323**	**$244,420**
Owners of the parent	**20,323**	**244,420**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31, 2010 and 2011

	Thousands	Millions of Yen									
							Accumulated Other Comprehensive Income (Loss):				
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Total Equity
BALANCE, March 31, 2009	396,406	¥65,476	¥80,712	¥233	¥264,828	¥(13,439)	¥(2,430)	¥(916)	¥(15,377)	¥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
BALANCE, March 31, 2010	396,420	65,476	80,712	327	248,369	(13,354)	6,061	(31)	(15,490)	372,070	372,070
Net income					27,313					27,313	27,313
Cash dividends, ¥9.0 per share					(3,568)					(3,568)	(3,568)
Adjustment of retained earnings for newly consolidated subsidiaries and elimination of consolidated subsidiaries					229					229	229
Purchase of treasury stock	(7)					(13)				(13)	(13)
Disposal of treasury stock	65				(115)	193				78	78
Net change in the year				100			(1,611)	(666)	(4,712)	(6,889)	(6,889)
BALANCE, March 31, 2011	396,478	¥65,476	¥80,712	¥427	¥272,228	¥(13,174)	¥ 4,450	¥(697)	¥(20,202)	¥389,220	¥389,220

	Thousands of U.S. Dollars (Note 1)									
						Accumulated Other Comprehensive Income (Loss):				
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Total Equity
BALANCE, March 31, 2010	$787,443	$970,674	$3,929	$2,986,998	$(160,599)	$72,888	$ (369)	$(186,282)	$4,474,682	$4,474,682
Net income				328,474					328,474	328,474
Cash dividends, U.S.$0.108 per share				(42,908)					(42,908)	(42,908)
Adjustment of retained earnings for newly consolidated subsidiaries and elimination of consolidated subsidiaries				2,756					2,756	2,756
Purchase of treasury stock					(153)				(153)	(153)
Disposal of treasury stock				(1,386)	2,321				935	935
Net change in the year			1,208			(19,368)	(8,013)	(56,672)	(82,845)	(82,845)
BALANCE, March 31, 2011	$787,443	$970,674	$5,137	$3,273,934	$(158,431)	$53,520	$(8,382)	$(242,954)	$4,680,941	$4,680,941

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31, 2010 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	**2011**	**2011**
Operating activities:			
Income (loss) before income taxes	¥(17,672)	**¥ 46,506**	**$ 559,301**
Adjustments for:			
Income taxes—refund (paid)	2,690	**(11,587)**	**(139,354)**
Loss on impairment of fixed assets	546	**399**	**4,800**
Provision for (reversal of) doubtful receivables	448	**(603)**	**(7,251)**
Allowance for warranty reserve	(226)	**1,042**	**12,532**
Depreciation and amortization	35,170	**34,034**	**409,303**
Provision for (reversal of) liability for employees' retirement benefits	3,258	**(2,135)**	**(25,674)**
Provision for retirement allowance for directors and corporate auditors	133	**4**	**47**
Interest and dividend income	(1,251)	**(1,695)**	**(20,384)**
Equity in earnings of non-consolidated subsidiaries and associated companies	(992)	**(1,232)**	**(14,812)**
Interest expense	1,226	**946**	**11,373**
Gain on sales of property, plant and equipment	(68)	**(43)**	**(523)**
Loss on disposals of property, plant and equipment	564	**1,008**	**12,118**
Loss (gain) on sales of investment securities	(85)	**52**	**627**
Loss on valuation of investment securities	220	**4,512**	**54,268**
Other—net	9,998	**2,902**	**34,903**
Change in assets and liabilities:			
Decrease (increase) in notes and accounts receivable—trade	9,135	**(14,844)**	**(178,517)**
Decrease (increase) in inventories	57,391	**(34,033)**	**(409,294)**
Increase in notes and accounts payable—trade	5,219	**47,028**	**565,577**
Increase (decrease) in advances received	(9,137)	**29,304**	**352,422**
Increase in accrued expenses	2,973	**13,939**	**167,635**
Other—net	3,957	**8,110**	**97,536**
Total adjustments	121,169	**77,108**	**927,332**
Net cash provided by operating activities	103,497	**123,614**	**1,486,633**
Investing activities:			
Purchases of property, plant and equipment	(33,636)	**(22,886)**	**(275,234)**
Proceeds from sales of property, plant and equipment	621	**722**	**8,684**
Purchases of investment securities	(1,151)	**(434)**	**(5,216)**
Proceeds from sales of investment securities	771	**686**	**8,245**
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(9,429)		
Proceeds from compensation for expropriation	8,212	**2,317**	**4,790**
Net decrease in loans receivable	359	**398**	**27,865**
Other—net	(12,855)	**(4,393)**	**(52,832)**
Net cash used in investing activities	(47,108)	**(23,590)**	**(283,698)**
Financing activities:			
Net increase (decrease) in short-term borrowings	(25,335)	**122**	**1,465**
Proceeds from long-term debt	21,124	**29,892**	**359,497**
Repayments of long-term debt	(20,200)	**(43,430)**	**(522,312)**
Purchase of treasury stock	(46)	**(13)**	**(152)**
Dividends paid	(3,771)	**(3,574)**	**(42,981)**
Other—net	(3,249)	**(3,119)**	**(37,514)**
Net cash used in financing activities	(31,477)	**(20,122)**	**(241,997)**
Foreign currency translation adjustments on cash and cash equivalents	(48)	**(3,742)**	**(45,002)**
Net increase in cash and cash equivalents	24,864	**76,160**	**915,936**
Cash and cash equivalents of newly consolidated subsidiaries, beginning of year		**231**	**2,783**
Cash and cash equivalents, beginning of year	79,806	**104,670**	**1,258,804**
Cash and cash equivalents, end of year	¥104,670	**¥181,061**	**$2,177,523**

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31, 2010 and 2011

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.

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statement of changes in equity. Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 17. In addition, "net income before minority interests" is disclosed in the consolidated statement of income from the year ended March 31, 2011.

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 2010 financial statements to conform to the classifications used in 2011.

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 ¥ 83.15 to $1, the approximate rate of exchange at March 31, 2011. 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, 2011 include the accounts of the Company and its 68 significant (69 in 2010) subsidiaries (together, the "Group"). This net decrease during fiscal 2010 includes the addition of Nikon Russia LLC and Nikon Holdings Hong Kong Limited, and completion of the liquidation of 3 subsidiaries of Nikon Metrology NV. 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 2010) 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.

Effective March 31, 2011, Nikon Metrology NV and its subsidiaries changed their fiscal year-end from December 31 to March 31. Accordingly, fiscal 2010 consisted of 15 months.

(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.

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) Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method

In March 2008, the ASBJ issued ASBJ Statement No. 16, "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 was applicable to equity method of accounting for fiscal years beginning on or after April 1, 2010. The Company applied this accounting standard effective April 2010.

(d) 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.

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 revised standard requires accounting for business combinations only by the purchase method. As a result, 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, in-process research and development (IPR&D) acquired in the business combination is capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquire recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase allocation. This standard was 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. The Company applied this accounting standard effective April 1, 2010.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(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 those in 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) 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 was effective for fiscal years beginning on or after April 1, 2010 .The Company applied this accounting standard effective April 1, 2010.

The impact of this change on income before income taxes is immaterial, and ¥1,073 million of the effect of application in accounting standard for asset retirement obligations is changed to statements of operation for the year ended March 31, 2011.

(l) 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.

(m) 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.

(n) Research and Development Costs
The Group is active in research and development, and such costs are charged to income as incurred.

(o) 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 was effective for fiscal years beginning on or after April 1, 2008. 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.

All other leases are accounted for as operating leases.

(p) Bonuses to Directors and Corporate Auditors
Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

(q) Income Taxes
The provision for income taxes is computed based on the pretax income or loss included in the consolidated statements of operations. 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 Company and some subsidiaries 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 Company and its wholly owned domestic subsidiaries effective April 1, 2009 .

(r) 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.

(s) 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 the 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" under accumulated other comprehensive income in a separate component of equity.

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

(t) 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 operations 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 applied 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 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.

(u) 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 operations are dividends applicable to the respective years including dividends to be paid after the end of the year.

(v) New Accounting Pronouncements

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.

3. Investment Securities

Investment securities at March 31, 2010 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	**2011**	**2011**
Non-Current:			
Equity securities	¥52,974	**¥45,903**	**$552,044**
Debt securities	0	**0**	**4**
Investment in a limited liability investment partnership	926	**876**	**10,532**
Total	¥53,900	**¥46,779**	**$562,580**

The carrying amounts and aggregate fair values of investment securities at March 31, 2010 and 2011 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
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			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2011				
Securities classified as:				
Available-for-sale:				
Equity securities	**¥39,521**	**¥9,616**	**¥3,458**	**¥45,679**
Total	**¥39,521**	**¥9,616**	**¥3,458**	**¥45,679**

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2011				
Securities classified as:				
Available-for-sale:				
Equity securities	**$475,298**	**$115,648**	**$41,596**	**$549,350**
Total	**$475,298**	**$115,648**	**$41,596**	**$549,350**

Carrying amounts of available-for-sale securities whose fair value is not readily determinable as of March 31, 2010 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	**2011**	**2011**
Available-for-sale:			
Equity securities	¥ 224	**¥ 224**	**$ 2,693**
Investment in a limited liability investment partnership	926	**876**	**10,537**
Total	¥1,150	**¥1,100**	**$13,230**

Proceeds from sales of available-for-sale securities was ¥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. Proceeds from sales of available-for-sale securities was ¥686 million ($8,245 thousand) for the fiscal year ended March 31, 2011. Gross realized gains and losses on these sales computed on the moving-average cost basis, were ¥30 million ($364 thousand) and ¥82 million ($991 thousand), respectively for the fiscal year ended March 31 , 2011.

4. Inventories

Inventories at March 31, 2010 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	**2011**	**2011**
Finished and semi-finished products	¥102,912	**¥103,758**	**$1,247,838**
Work in process	78,654	**106,536**	**1,281,250**
Raw materials and supplies	25,430	**26,113**	**314,055**
Total	¥206,996	**¥236,407**	**$2,843,143**

5. Long-lived Assets

The Group reviewed its long-lived assets for impairment as of March 31, 2010 and recognized an impairment loss of ¥115 million 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. The Group reviewed its long-lived assets for impairment as of March 31, 2011 and recognized an impairment loss of ¥398 million ($4,783 thousand) as other expense for machinery, equipment, buildings and structures in Japan, Asia and Europe. 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 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	**2011**	**2011**
Short-term loans, principally from banks:			
2010: 0.57350%–4.37400%			
2011: 0.50950%–2.42000%	¥14,899	**¥14,972**	**$180,063**
Total	¥14,899	**¥14,972**	**$180,063**

Long-term debt at March 31, 2010 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	**2011**	**2011**
Loans, principally from banks and insurance companies:			
2010: 0.7000%–8.5200% due 2010–2016			
2011: 0.44625%–1.95250% due 2011–2016	¥27,003	**¥26,460**	**$318,220**
Obligations under finance leases	7,586	**6,043**	**72,680**
Bonds	52,900	**40,000**	**481,060**
Total	87,489	**72,503**	**871,960**
Less: Current portion	(46,381)	**(4,183)**	**(50,305)**
Long-term debt, less current portion	¥41,108	**¥68,320**	**$821,655**

The following is a summary of the terms of bonds which the Company may at any time purchase for 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.

			Millions of Yen		Thousands of U.S. Dollars
	Issued in	Maturity	2010	**2011**	**2011**
Yen Zero Coupon Convertible Bonds	March, 2004	March, 2011	¥32,900		
1.3% Yen Unsecured Bonds	June, 2009	June, 2014	10,000	**¥10,000**	**$120,265**
1.65% Yen Unsecured Bonds	June, 2009	June, 2016	10,000	**10,000**	**120,265**
0.996% Yen Unsecured Bonds	January, 2011	January, 2018		**10,000**	**120,265**
1.434% Yen Unsecured Bonds	January, 2011	January, 2021		**10,000**	**120,265**
Total			¥52,900	**¥40,000**	**$481,060**

The aggregate annual maturities of long-term debt at March 31, 2011 are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2012	**¥ 4,183**	**$ 50,305**
2013	**6,462**	**77,719**
2014	**6,002**	**72,188**
2015	**10,466**	**125,865**
2016	**15,186**	**182,639**
Thereafter	**30,204**	**363,242**
Total	**¥72,503**	**$871,958**

At March 31, 2011, the following assets were pledged as collateral for the long-term debt.

	Millions of Yen	Thousands of U.S. Dollars
	2011	**2011**
Investment securities	**¥4,017**	**$48,312**

Liabilities secured by the above assets were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2011	**2011**
Long-term debt, including current portion	**¥6,060**	**$72,880**

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 those in 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 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	**2011**	**2011**
Projected benefit obligation	¥106,614	**¥106,517**	**$1,281,022**
Fair value of plan assets	(83,283)	**(84,657)**	**(1,018,119)**
Unrecognized actuarial loss	(14,980)	**(13,793)**	**(165,880)**
Unrecognized prior service cost	8,101	**6,211**	**74,690**
	16,452	**14,278**	**171,713**
Prepayment of service cost	755	**673**	**8,095**
Net liability	¥ 17,207	**¥ 14,951**	**$ 179,808**

The projected benefit obligation includes retirement allowance for officers of ¥205 million and ¥209 million ($2,512 thousand) at March 31, 2010 and 2011, respectively.

The components of net periodic benefit costs for the fiscal years ended March 31, 2010 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	**2011**	**2011**
Service cost	¥3,663	**¥3,428**	**$41,223**
Interest cost	2,889	**2,775**	**33,375**
Expected return on plan assets	(1,786)	**(2,000)**	**(24,058)**
Recognized actuarial loss	4,993	**3,953**	**47,544**
Amortization of prior service cost	(1,768)	**(1,899)**	**(22,836)**
Net periodic retirement benefit costs	¥7,991	**¥6,257**	**$75,248**

In addition to the above, the Company and certain of its overseas subsidiaries charged ¥2,151 million and ¥1,794 million ($21,570 thousand) for defined contribution pension plans to income for the fiscal years ended March 31, 2010 and 2011, respectively.

Assumptions used for the fiscal years ended March 31, 2010 and 2011 were principally as set forth below:

	2010	**2011**
Discount rate	2.50%	**2.50%**
Expected rate of return on plan 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 by 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 Options

The stock options outstanding as of March 31, 2011 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
2010 Stock Options	10 directors 13 officers	66,800 shares	2010.7.14	¥ 1	From July 15, 2010 To July 14, 2040

The stock option activity is as follows:

	2001 Stock Options	2003 Stock Options	2004 Stock Options	2005 Stock Options	2007 Stock Options	2007 Stock Options	2008 Stock Options	2009 Stock Options	2010 Stock Options
For the year ended March 31, 2010									
Non-vested									
March 31, 2009—Outstanding									
Granted								68,100	
Canceled									
Vested								68,100	
March 31, 2010—Outstanding									
Vested									
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	
For the year ended March 31, 2011									
Non-vested									
March 31, 2010—Outstanding									
Granted									66,800
Canceled									
Vested									66,800
March 31, 2011—Outstanding									
Vested									
March 31, 2010—Outstanding	34,000	48,000	136,000	145,000	99,000	26,100	117,900	68,100	
Vested									66,800
Exercised	22,000	21,000	17,000	4,000					
Canceled									
March 31, 2011—Outstanding	12,000	27,000	119,000	141,000	99,000	26,100	117,900	68,100	66,800
Exercise price	¥ 1,321	¥ 1,048	¥ 1,225	¥ 1,273	¥ 2,902	¥ 1	¥ 1	¥ 1	¥ 1
Average stock price at exercise	¥ 1,693	¥ 1,670	¥ 1,669	¥ 1,750					
Fair value price at grant date					¥ 840	¥ 3,259	¥ 734	¥ 1,408	¥ 1,527

The assumptions used to measure the fair value of 2010 Stock Options which were granted on July 14, 2010

Estimated method:	Black-Scholes option pricing model
Volatility of stock price:	47.928%
Estimate remaining outstanding period:	fifteen years
Estimated dividend:	¥8.00 per share
Risk free interest rate:	1.592%

10. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the fiscal years ended March 31, 2010 and 2011 principally consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	**2011**	**2011**
Advertising expenses	¥63,067	**¥65,824**	**$791,633**
Provision for doubtful receivables	916	**65**	**787**
Provision of warranty costs	5,553	**4,833**	**58,128**
Employees' salaries	31,984	**30,598**	**367,983**
Net periodic retirement benefit cost	4,456	**3,446**	**41,448**
Employees' bonuses and others	13,142	**15,923**	**191,503**
Research and development costs	60,261	**60,767**	**730,817**

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 2011.

The tax effects of significant temporary differences carry-forwards which result in deferred tax assets and liabilities at March 31, 2010 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	**2011**	**2011**
Deferred tax assets:			
Write-down of inventories	¥34,434	**¥28,866**	**$347,153**
Warranty reserve	1,855	**2,395**	**28,806**
Liability for employees' retirement benefits	9,756	**7,630**	**91,767**
Depreciation and amortization	14,802	**15,389**	**185,073**
Accrued bonus	3,539	**4,840**	**58,202**
Other	13,985	**13,132**	**157,932**
Total	¥78,371	**¥72,252**	**$868,933**
Deferred tax liabilities:			
Deferred gains sales of property to be replaced	¥ 3,874	**¥ 3,509**	**$ 42,205**
Unrealized gain on available-for-sale securities	1,790	**687**	**8,259**
Undistributed earnings of foreign subsidiaries	4,803	**6,563**	**78,924**
Other	1,464	**1,476**	**17,756**
Total	¥11,931	**¥12,235**	**$147,144**
Net deferred tax assets	¥66,440	**¥60,017**	**$721,789**

A valuation allowance of ¥4,438 million in 2010 and ¥4,237 million ($50,968 thousand) in 2011 was 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 2011 is as follows:

	2010	**2011**
Normal statutory tax rate	40.6%	**40.6%**
Tax credit for research and development costs		**(1.6)**
Tax difference of consolidated subsidiaries	13.1	**(10.3)**
Amortization of goodwill	(1.8)	
Deferred tax assets for unrealizable profits	(12.3)	**6.3**
Increase in valuation allowance		**1.6**
Tax effect on retained earnings for foreign subsidiaries	(5.4)	**3.7**
One-time depreciation of work in progress of development costs	(6.7)	
Other—net	1.1	**1.0**
Actual effective tax rate	28.6%	**41.3%**

12. Research and Development Cost

Research and development costs charged to income were ¥60,261 million and ¥60,767 million ($730,817 thousand) for the fiscal years ended March 31, 2010 and 2011, respectively.

13. Leases

The Group primarity leases certain machinery and equipment for manufacturing.

The minimum rental commitments under noncancellable operating leases at March 31, 2010 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	**2011**	**2011**
Due within one year	¥2,292	**¥2,221**	**$26,709**
Due after one year	5,014	**3,905**	**46,961**
Total	¥7,306	**¥6,126**	**$73,670**

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 were applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Group applied the revised accounting standard and the guidance effective March 31, 2010.

(1) Group Policy for Financial Instruments

The Group restricts 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 terms and balances of major customers by each business administration department to identify the default risk of customers in the early stages. 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 are managed by monitoring market the values and the 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, (t) 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 and 2011 were as follows. The accounts deemed to be extremely difficult to calculate the fair values were not included in the following:

	Millions of Yen		
March 31, 2010	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥104,670	¥104,670	
Notes and accounts receivables—trade	105,578	105,578	
Investment securities	52,750	52,750	
Total	¥262,998	¥262,998	
Short-term borrowings	¥ 14,899	¥ 14,899	
Notes and accounts payable—trade	125,687	125,687	
Long-term debt	27,003	27,552	¥(549)
Accrued expenses	42,177	42,177	
Income taxes payable	3,503	3,503	
Bonds	52,900	53,019	(119)
Derivatives	404	404	
Total	¥266,573	¥267,241	¥(668)

	Millions of Yen			Thousands of U.S. Dollars		
March 31, 2011	Carrying Amount	Fair Value	Unrealized Gain/Loss	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	**¥181,061**	**¥181,061**		**$2,177,523**	**$2,177,523**	
Notes and accounts receivables—trade	**115,712**	**115,712**		**1,391,605**	**1,391,605**	
Investment securities	**45,679**	**46,679**		**549,350**	**549,350**	
Total	**¥342,452**	**¥343,452**		**$4,118,483**	**$4,118,483**	
Short-term borrowings	**¥ 14,972**	**¥ 14,972**		**$ 180,063**	**$ 180,063**	
Notes and accounts payable—trade	**171,736**	**171,736**		**2,065,374**	**2,065,374**	
Long-term debt	**26,460**	**26,679**	**¥(219)**	**318,220**	**320,859**	**$(2,639)**
Bonds	**40,000**	**40,600**	**(600)**	**481,060**	**488,274**	**(7,216)**
Accrued expenses	**54,545**	**54,545**		**655,989**	**655,989**	
Income taxes payable	**2,521**	**2,521**		**30,316**	**30,316**	
Derivatives	**(1,823)**	**(1,823)**		**(21,927)**	**(21,927)**	
Total	**¥308,411**	**¥309,230**	**¥(819)**	**$3,709,095**	**$3,718,948**	**$(9,855)**

Cash and cash equivalents:
The carrying values of cash and cash equivalents approximate 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 receivable-trade are the amounts after deduction of the 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 as of March 31, 2010 and ¥1,100 million ($13,230 thousand) as of March 31, 2011) are excluded because it is difficult to determine the fair values and impossible to estimate the future cash flows.

Notes and accounts payable, short-term borrowings and income taxes payable:
The carrying values of those accounts approximate fair value because of their short maturities.

Accrued expenses:
The carrying values of accrued expenses approximate fair value because of their short maturities.
There is a difference between consolidated balance sheets because the 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 the current portion of long-term debt.

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 as of March 31, 2010 and 2011 were as follows:

	Millions of Yen	
March 31, 2010	Due in One Year or Less	Due after One Year through Five Years
Cash and cash equivalents	¥104,670	
Notes and accounts receivable	113,773	
Investment securities		
Available-for-sale securities with contractual maturities		¥ 0
Total	¥218,443	¥ 0

	Millions of Yen		Thousands of U.S. Dollars	
March 31, 2011	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
Cash and cash equivalents	**¥181,061**		**$2,177,523**	
Notes and accounts receivable	**123,077**		**1,480,184**	
Investment securities				
Available-for-sale securities with contractual maturities		**¥ 0**		**$ 4**
Total	**¥304,138**	**¥ 0**	**$3,657,707**	**$ 4**

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.

Derivative transactions to which hedge accounting was not applied at March 31, 2010 and 2011 were as follows:

	Millions of Yen			
	2010			
	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)
Forward Exchange Contracts:				
Selling USD	¥20,482		¥(356)	¥(356)
Selling EUR	35,917		322	322
Selling Other	5,676		(209)	(209)
Buying JPY	(13)		(1)	(1)
Buying USD	(3,229)		(35)	(35)
Buying EUR	(1,909)		(16)	(16)
Total				¥(295)
Currency Option Contracts:				
Selling USD	¥ 2,328			
Option Premiums			¥ (5)	¥ (5)
Buying USD	(2,328)			
Option Premiums			5	5
Total				¥ (0)

	Millions of Yen				Thousands of U.S. Dollars			
	2011				2011			
	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	**¥28,900**		**¥ 21**	**¥ 21**	**$347,560**		**$ 254**	**$ 254**
Selling EUR	**21,106**		**(699)**	**(699)**	**253,834**		**(8,412)**	**(8,412)**
Selling Other	**5,425**		**(91)**	**(91)**	**65,243**		**(1,095)**	**(1,095)**
Buying JPY	**25**		**(0)**	**(0)**	**(303)**		**(1)**	**(1)**
Buying USD	**13,791**		**174**	**174**	**(165,851)**		**2,091**	**2,091**
Buying EUR	**3,276**		**1**	**1**	**(39,397)**		**12**	**12**
Buying Other	**686**		**(7)**	**(7)**	**(8,251)**		**(83)**	**(83)**
Total				**¥(601)**				**$(7,234)**
Currency Option Contracts:								
Selling USD	**¥ 1,661**				**$ 19,974**			
Option Premiums			**¥ (4)**	**¥ (4)**			**$ (44)**	**$ (44)**
Buying USD	**1,661**				**19,974**			
Option Premiums			**3**	**3**			**37**	**37**
Total				**¥ (1)**				**$ (7)**

Notes: 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 was applied at March 31, 2010 and 2011 were as follows:

		Millions of Yen		
March 31, 2010	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Foreign currency forward contracts:				
Selling USD	Receivables	¥10,493		¥(163)
Selling EUR	Receivables	23,309		55

		Millions of Yen			Thousands of U.S. Dollars		
March 31, 2011	Hedged Item	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	**¥ 7,533**		**¥ (40)**	**$ 90,597**		**$ (487)**
Selling EUR	Receivables	**30,282**		**(1,181)**	**364,186**		**(14,198)**

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

March 31, 2011	Hedged Item	Millions of Yen Contract Amount	 Contract Amount due after One Year	Thousands of U.S. Dollars Contract Amount	 Contract Amount due after One Year
Interest rate swaps:					
(fixed rate payment, floating rate receipt)	Long-term debt	**¥3,200**	**¥3,200**	**$38,485**	**$38,485**

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).

16. Contingent Liabilities

At March 31, 2011, the Group had the following contingent liabilities:

	Millions of Yen **2011**	Thousands of U.S. Dollars **2011**
As the guarantor of bank loans and indebtedness, principally of employees, unconsolidated subsidiaries and associated companies	**¥1,660**	**$19,960**
Total	**¥1,660**	**$19,960**

17. Comprehensive Income

Total comprehensive loss for the year ended March 31, 2010 comprises the following:

	Millions of Yen 2010
Total comprehensive loss attributable to:	
Owners of the parent	¥(3,352)
Total comprehensive loss	¥(3,352)

Other comprehensive income for the year ended March 31, 2010 was the following:

	Millions of Yen 2010
Other comprehensive income:	
Unrealized gain on available-for-sale securities	¥8,560
Deferred gain on derivatives under hedge accounting	885
Foreign currency translation adjustments	(352)
Share of other comprehensive income in associates	169
Total other comprehensive income	¥9,262

18. 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 2011 was as follows. Diluted net loss (income) 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
	Loss	Weighted Average Shares	EPS	
For the year ended March 31, 2010				
Basic EPS				
Net loss available to common shareholders	¥(12,615)	396,398	¥(31.82)	$(0.34)

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted Average Shares	EPS	
For the year ended March 31, 2011				
Basic EPS				
Net income available to common shareholders	**¥ 27,313**	**396,435**	**¥ 68.90**	**$ 0.83**
Effect of dilutive securities				
Warrants (stock option)		**355**		
Diluted EPS				
Net income for computation	**¥ 27,313**	**396,790**	**¥ 68.83**	**$ 0.83**

19. Business Combinations

(a) 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 & Scanners and lenses for IC/LCD Steppers & Scanners

(Miyagi Nikon Precision Co., Ltd.)

Main business: Manufacture of devices for LCD Steppers & Scanners

As these were transactions 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, 2010.

(b) 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	Consultations fees, etc.	616
Cost of acquisition		¥10,012

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	12,999
Current liabilities	10,433
Non-current liabilities	8,052
Total liabilities assumed	¥18,485

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 isn't subject to audit.

20. Losses from Natural Disaster

The loss of ¥2,313 million incurred in connection with the Great East Japan Earthquake, which took place on March 11, 2011, was posted as other expenses loss.

The losses mainly include expenses to restore the certainly property, plant and equipment to their original state of ¥776 million, expenses to restore certain inventories to original state of ¥616 million and losses on abandonment and valuation of ¥238 million.

21. Subsequent Events

Appropriations of Retained Earnings
The following appropriation of retained earnings at March 31, 2011 was approved at the Company's shareholders meeting held on June 29, 2011:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥14.00 ($0.17) per share	**¥5,551**	**$66,755**

22. Segment Information

For the year ended March 31, 2011 and 2010

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. The Company applied this accounting standard effective April 1, 2010.

The segment information for the year ended March 31, 2010 under the revised accounting standard is also disclosed hereunder as required.

1. Description of Reportable Segments

The Group's reportable segments are those for which separately financial information is available and regular consideration by the Company's management is being performed in order to decide how resources are allocated among the Group and evaluate the performance of the segments.

Therefore, the Group has three reportable segments: the Precision Equipment Business, the Imaging Products Business and the Instruments Business.

The Precision Equipment Business provides products and services of IC steppers and LCD steppers. The Imaging Products Business provides products and services of imaging products and its peripheral domain, such as digital SLR cameras, compact digital cameras and interchangeable camera lenses. The Instruments Business provides products and services of microscopes, measuring instruments and inspection equipments.

2. Methods of Measurement for the Amounts of Sales, Profit (loss), Assets, Liabilities and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "Summary of Significant Accounting Policies." Figures for segment profit (loss) are on an operating income (loss) basis. Inter segment sales or transfers are based on current market price.

3. Information about Sales, Profit (loss), Assets, Liabilities and Other Items is as Follows:

	Millions of Yen							
	Reportable Segment							
	Precision Equipment	Imaging Products	Instruments	Total	Other	Total	Reconciliations	Consolidated
For the year ended March 31, 2010								
Sales								
Sales to external customers	¥150,101	¥569,465	¥45,051	¥764,617	¥20,882	¥785,499		¥785,499
Intersegment sales or transfers	723	524	974	2,221	25,821	28,042	¥ (28,042)	
Total	150,824	569,989	46,025	766,838	46,703	813,541	(28,042)	785,499
Segment profit (loss)	¥ (58,557)	¥ 52,117	¥ (9,331)	¥ (15,771)	¥ 1,685	¥ (14,086)	¥ 232	¥ (13,854)
Segment assets	¥213,855	¥188,314	¥50,473	¥452,642	¥64,303	¥516,945	¥223,687	¥740,632
Other:								
Depreciation and amortization	14,563	11,543	1,778	27,884	7,285	35,170		35,170
Increase in property, plant and equipment and intangible assets	19,314	13,908	1,439	34,661	2,864	37,525		37,525

	Millions of Yen							
	Reportable Segment							
	Precision Equipment	Imaging Products	Instruments	Total	Other	Total	Reconciliations	Consolidated
For the year ended March 31, 2011								
Sales								
Sales to external customers	**¥208,614**	**¥596,376**	**¥57,451**	**¥862,441**	**¥25,072**	**¥887,513**		**¥887,513**
Intersegment sales or transfers	**749**	**1,051**	**1,802**	**3,602**	**27,222**	**30,824**	**¥ (30,824)**	
Total	**209,363**	**597,427**	**59,253**	**866,043**	**52,294**	**918,337**	**(30,824)**	**887,513**
Segment profit (loss)	**¥ 2,712**	**¥ 52,332**	**¥ (5,248)**	**¥ 49,796**	**¥ 4,259**	**¥ 54,055**	**¥ (2)**	**¥ 54,053**
Segment assets	**¥215,076**	**¥214,081**	**¥53,383**	**¥482,540**	**¥64,851**	**¥547,391**	**¥282,518**	**¥829,909**
Other:								
Depreciation and amortization	**12,524**	**12,199**	**2,045**	**26,768**	**7,266**	**34,034**		**34,034**
Increase in property, plant and equipment and intangible assets	**7,597**	**17,951**	**1,600**	**27,148**	**2,628**	**29,776**		**29,776**

	Thousands of U.S. Dollars							
	Reportable Segment							
	Precision Equipment	Imaging Products	Instruments	Total	Other	Total	Reconciliations	Consolidated
For the year ended March 31, 2011								
Sales								
Sales to external customers	**$2,508,883**	**$7,172,290**	**$690,939**	**$10,372,112**	**$301,526**	**$10,673,638**		**$10,673,638**
Intersegment sales or transfers	**9,009**	**12,637**	**21,666**	**43,312**	**327,386**	**370,698**	**$ (370,698)**	
Total	**2,517,892**	**7,184,927**	**712,605**	**10,415,424**	**628,912**	**11,044,336**	**(370,698)**	**10,673,638**
Segment profit (loss)	**$ 32,612**	**$ 629,368**	**$ (63,114)**	**$ 59,866**	**$ 51,219**	**$ 650,085**	**$ (19)**	**$ 650,066**
Segment assets	**$2,586,605**	**$2,574,631**	**$642,008**	**$ 5,803,244**	**$779,927**	**$ 6,583,171**	**$3,397,699**	**$ 9,980,870**
Other:								
Depreciation and amortization	**150,621**	**146,708**	**24,600**	**321,929**	**87,375**	**409,303**		**409,304**
Increase in property, plant and equipment and intangible assets	**91,365**	**215,891**	**19,239**	**326,495**	**31,609**	**358,104**		**358,104**

Notes: 1. The "Other" category incorporates operations not included in the reportable segments reported, including the glass-related business, the sport optics products business and the customized products business.
2. Segment profit (loss) Reconciliation of segment profit (loss) includes elimination of intersegment transactions of minus ¥2 million. In addition, Reconciliations of segment assets adjustment includes corporate assets not allocated to the respective reportable segments of ¥294,026 million and elimination of intersegment transactions of minus ¥11,508 million. Principal components of corporate assets are surplus funds (cash and deposits) held by the Company and its consolidated subsidiaries, long-term investments (investment securities) and deferred tax assets.
3. Segment profit is adjusted with reported operating income on the consolidated financial statements.

Related Information

1. Related Information by geographical area at March 31, 2011 consisted of the following:

(1) Net Sales

	Millions of Yen					
	Japan	USA	Europe	China	Other	Total
For the year ended March 31, 2011	**¥127,162**	**¥237,611**	**¥202,855**	**¥96,957**	**¥222,928**	**¥887,513**

	Thousands of U.S. Dollars					
	Japan	USA	Europe	China	Other	Total
For the year ended March 31, 2011	**$1,529,311**	**$2,857,620**	**$2,439,626**	**$1,166,047**	**$2,681,034**	**$10,673,638**

Note: Sales are classified by countries or regions based on location of customers.

(2) Property, Plant and Equipment

	Millions of Yen				
	Japan	North America	Europe	Asia/ Oceania	Total
For the year ended March 31, 2011	**¥91,085**	**¥5,053**	**¥3,620**	**¥19,258**	**¥119,016**

	Thousands of U.S. Dollars				
	Japan	North America	Europe	Asia/ Oceania	Total
For the year ended March 31, 2011	**$1,095,428**	**$60,771**	**$43,531**	**$231,613**	**$1,431,343**

2. Information for amortization of goodwill for the year ended March 31, 2011 and the balance of goodwill by reportable segments at March 31, 2011 was as follow:

	Millions of Yen						
	Reportable Segments						
	Precision Equipment	Imaging Products	Instruments	Total	Other	Corporate or Eliminations	Total
For the year ended March 31, 2011							
Amortization of goodwill for the current fiscal year			**¥ 1,582**	**¥ 1,582**			**¥ 1,582**
Balance of goodwill at March 31, 2011			**¥13,236**	**¥13,236**			**¥13,236**

	Thousands of U.S. Dollars						
	Reportable Segments						
	Precision Equipment	Imaging Products	Instruments	Total	Other	Corporate or Eliminations	Total
For the year ended March 31, 2011							
Amortization of goodwill for the current fiscal year			**$ 19,023**	**$ 19,023**			**$ 19,023**
Balance of goodwill at March 31, 2011			**$159,177**	**$159,177**			**$159,177**

For the year ended March 31, 2010

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

(a) Industry Segments

	Millions of Yen						
	Precision Equipment	Imaging Products	Instruments	Other	Total	(Eliminations) or Corporate	Consolidated
For the year ended March 31, 2010							
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

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
For the year ended March 31, 2010							
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

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

	Millions of Yen, %	
	2010	(A)/(B)
For the year ended March 31, 2010		
Export sales (A)		
North America	¥245,112	31.2%
Europe	189,507	24.1
Asia/Oceania	195,629	24.9
Other Area	16,223	2.1
Total	¥646,471	82.3%
Net sales (B)	¥785,499	

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 ....Central and 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 (together, the "Group") as of March 31, 2011 and 2010, and the related consolidated statements of operations for the years then ended, the consolidated statement of comprehensive income for the year ended March 31, 2011, and the related consolidated statements of 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, 2011 and 2010, 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, 2011

Member of
Deloitte Touche Tohmatsu Limited

Organization of the Nikon Group

(As of March 31, 2011)

- General Shareholders' Meeting
- Board of Directors
  - Corporate Auditors / Board of Corporate Auditors
- President, Member of the Board
  - Executive Committee
  - Internal Audit Department
  - Corporate Planning Headquarters ◎
  - Finance & Accounting Headquarters ●
  - Corporate Communications & IR Department
  - Business Development Headquarters
  - Information System Headquarters ◆
  - Intellectual Property Headquarters
  - Business Administration Center ▲ — Activities related to general affairs, legal affairs, human resources, etc.
  - Core Technology Center ■ — Development of basic technology common to the Nikon Group and manufacturing technology
    - Research & Development Headquarters
    - Production Technology Headquarters
  - Precision Equipment Company ○ — Development, manufacture and sales of IC and LCD steppers and scanners
    - Sales Headquarters
    - Development Headquarters
    - Production Headquarters
    - LCD Equipment Division
  - Imaging Company ◇ — Development, manufacture and sales of digital cameras, film cameras, interchangeable lenses, speedlights, photographic accessories, software, binoculars and sport optics products
    - Marketing Headquarters
    - Development Headquarters
    - Production Headquarters
  - Instruments Company △ — Development, manufacture and sales of biological microscopes, industrial microscopes, stereoscopic microscopes, measuring instruments, semiconductor inspection equipment and surveying instruments
  - Customized Products Division □ — Development, manufacture and sales of customized optical equipment, space-related equipment, astronomy-related equipment and optical components
  - Glass Division ⧈ — Glass business founded on glass materials technologies

Note: Symbols next to division names ("◎" "⧈" etc.) indicate affiliated companies.
The symbols can be matched with those on the list of Nikon Group Companies (P62–63) to determine which company is affiliated with which division.

Nikon Group Companies

(★ Consolidated as of March 31, 2011)

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 and microscopes

◇ ★ **Nikon U.K. Ltd.**
Import, sales and servicing of cameras and microscopes

◇ ★ **Nikon France S.A.S.**
Import, sales and servicing of cameras and microscopes

◇ ★ **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

△ ★ **Nikon Instruments S.p.A.**
Import, sales, maintenance and servicing of microscopes and measuring instruments

△ ★ **Nikon Metrology NV**
Development, manufacturing, sales, maintenance and servicing of microscopes, measuring instruments and metrology

Asia–Oceania

● ★ **Nikon Holdings Hong Kong Limited**
Promotion of CSR and Internal Audit to affiliates in Asia and 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 Sales (Thailand) Co., Ltd.**
Import, sales and servicing of cameras

◇ ★ **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 and 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

◎ **Nikon Optical Shop Co., Ltd.**
Retail sales of ophthalmic frames and lenses

◎ **Nikon-Essilor Co., Ltd.***[1]
Development, manufacture, sales and servicing of ophthalmic lenses

◆ ★ **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 materials, optics and ophthalmics

○ ★ **Tochigi Nikon Precision Co., Ltd.**
Manufacture of devices 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, and 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

◇ ★ **Nikon Vision Co., Ltd.**
Development, manufacture, sales and servicing of sport optics products

△ ★ **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

△ **Nikon-Trimble Co., Ltd.***[1]
Development, manufacture, sales and servicing of surveying instruments

□ ★ **Nikon Engineering Co., Ltd.**
Design, manufacture and sales of microprocessing systems and customized microscopes

▣ ★ **Hikari Glass Co., Ltd.**
Manufacture and sales of optical glass and molded optical glass

Note: 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**
Research and development for IC-related equipment

◇ ★ **Nikon Inc.**
Import, sales and servicing of cameras

◇ ★ **Nikon Canada Inc.**
Import, sales and servicing of cameras and microscopes

◇ **Nikon Mexico, S.A. de C.V.**
Import, sales and servicing of cameras

◇ **Nikon do Brasil Ltda.**
Import, sales and servicing of cameras, microscopes and measuring instruments

△ ★ **Nikon Instruments Inc.**
Import, sales, maintenance and servicing of microscopes

◎ Corporate Planning Headquarters
● Finance & Accounting Headquarters
◆ Information System Headquarters
▲ Business Administration Center
■ Core Technology Center
○ Precision Equipment Company
◇ Imaging Company
△ Instruments Company
□ Customized Products Division
▣ Glass Division

(As of March 31, 2011)

Directors, Auditors and Officers

Board of Directors

Michio Kariya
Representative Director,
Chairman of the Board

Makoto Kimura
Representative Director, President,
Member of the Board

Junichi Itoh
Representative Director,
Member of the Board

Kyoichi Suwa
Director, Member of the Board

Kazuo Ushida
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.)

Kenichi Kanazawa
Director, Member of the Board

Corporate Auditors

Yoshimichi Kawai
Standing Corporate Auditor

Yoshiyuki Nagai
Standing Corporate Auditor

Susumu Kani
Corporate Auditor
(Corporate Advisor, Mitsubishi Corporation)

Haruya Uehara
Corporate Auditor
(Chairman, Mitsubishi UFJ Trust and Banking Corporation)

Hiroshi Hataguchi
Corporate Auditor
(Attorney at law)

Officers

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

Junichi Itoh
Executive Vice President and CFO
Assistant of President, in charge of Corporate Planning Headquarters, 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

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 & General Manager of Development Division, Instruments Company

Yasuyuki Okamoto
Executive Officer
President of Imaging Company

Norio Hashizume
Executive Officer
General Manager of Finance & Accounting Headquarters

Kunio Kawabata
Executive Officer
Vice President of Precision Equipment Company & General Manager of LCD Equipment Division, Precision Equipment Company

Hiroshi Ohki
Executive Officer
Vice President of Core Technology Center & General Manager of Research & Development Headquarters, Core Technology Center

Takaharu Honda
Executive Officer
General Manager of Corporate Planning Headquarters & General Manager of Corporate Planning Department, in charge of Corporate Communications & IR Department

Kenichi Kanazawa
Operating Officer
President of Business Administration Center, in charge of manufacturing reform project, in charge of overseeing Customized Products Division

Koji Morishita
Operating Officer
Executive Assistant to the President

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

Tsuneo Kosaka
Operating Officer
General Manager of Production Headquarters, Imaging Company

Kazuyuki Kazami
Operating Officer
General Manager of Business Development Headquarters

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
Deputy General Manager of Business Development Headquarters

Toru Iwaoka
Operating Officer
General Manager of Marketing Headquarters, Imaging Company

Kenji Yoshikawa
Operating Officer
Director & Chairman of the Board, Nikon Metrology NV

(As of July 1, 2011)

Investor Information

Nikon Corporation

Shin-Yurakucho Bldg., 12-1,
Yurakucho 1-chome,
Chiyoda-ku, Tokyo 100-8331, Japan
Tel: +81-3-3214-5311
Fax: +81-3-3216-1454

Date of Establishment
July 25, 1917

Number of Employees
24,409 (Consolidated)

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

Number of Shareholders
26,075

Stock Exchange Listing
Tokyo (Ticker Symbol: 7731)

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

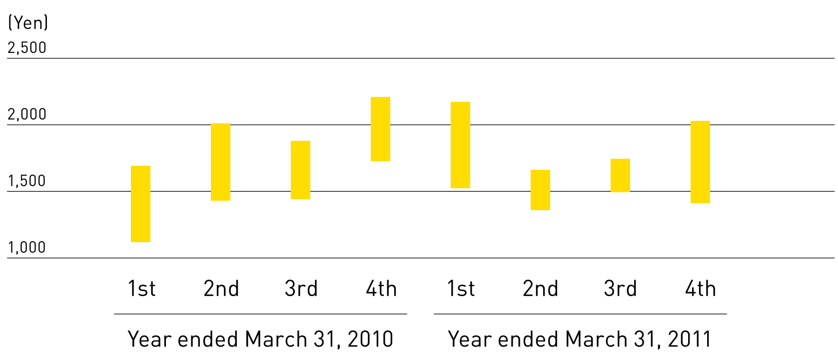
(As of March 31, 2011)

Major Shareholders

Name of shareholder	Number of shares held (thousands)	Percentage of total shares issued
JPMorgan Chase Bank 380055	30,649	7.73
The Master Trust Bank of Japan, Ltd. (Trust Account)	27,669	6.98
Japan Trustee Services Bank, Ltd. (Trust Account)	26,275	6.63
State Street Bank and Trust Company	22,853	5.76
Meiji Yasuda Life Insurance Company	20,565	5.19
Mitsubishi UFJ Trust and Banking Corporation	9,134	2.30
Tokio Marine & Nichido Fire Insurance Co., Ltd.	8,906	2.25
Nippon Life Insurance Company	7,893	1.99
The Bank of Tokyo–Mitsubishi UFJ, Ltd.	7,378	1.86
The Joyo Bank, Ltd.	6,801	1.72

Note: The ratio of shareholding is calculated by deducting treasury stock of 4,401,391 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/

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