



2012

ANNUAL REPORT
Year ended March 31, 2012



ON PATH TO GROWTH

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.

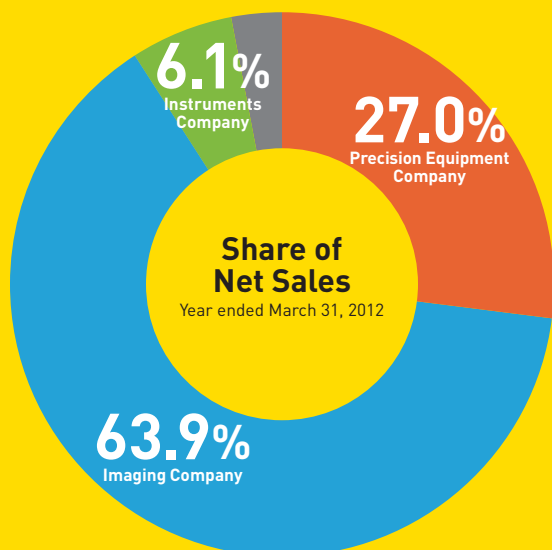
In the fiscal year ended March 2012, although the flooding in Thailand and strong yen had a considerable impact on performance, Nikon achieved increases in both revenue and earnings overall. The results in the Imaging Products Business were affected by the Thailand flooding, but this was covered by greater revenue and a sharp rise in earnings in the Precision Equipment Business.

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

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AT A GLANCE



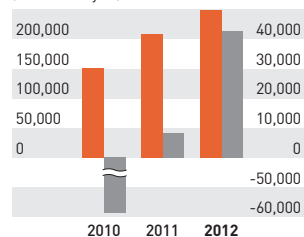
Precision Equipment

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

Net Sales and Operating Income (Loss)

Years ended March 31

(Millions of yen)



■ Net Sales (Left scale) ■ Operating Income (Loss) (Right scale)

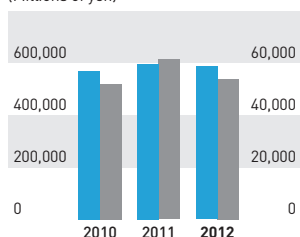
Imaging Products

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

Net Sales and Operating Income

Years ended March 31

(Millions of yen)



■ Net Sales (Left scale) ■ Operating Income (Right scale)

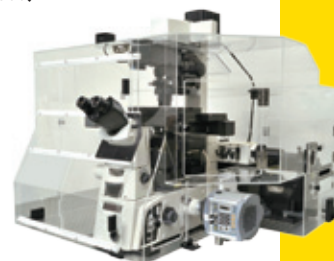
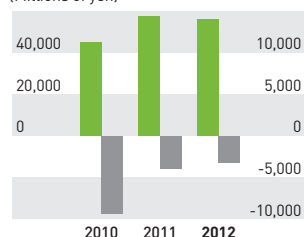
Instruments

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.

Net Sales and Operating Income (Loss)

Years ended March 31

(Millions of yen)



■ Net Sales (Left scale) ■ Operating Loss (Right scale)

Note: Beginning with the fiscal year ended March 2012, we have revised our method of allocating expenses. For purposes of comparison, operating income (loss) for the fiscal year ended March 2011 has been revised using the new standard. Operating income (loss) for the fiscal year ended March 2010 was based on the old method.

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

FOCUS ON FIVE KEY POLICIES

MEDIUM TERM MANAGEMENT PLAN

Strategies to Be a Corporate Group That Consistently Offers New Value and Continues to Grow

Following the five basic policies of its Medium Term Management Plan, the Nikon Group will respond to changes and continue to provide new value and realize sustainable growth.

THE FIVE BASIC POLICIES OF THE MEDIUM TERM MANAGEMENT PLAN

EXPANDING THE NIKON BRAND

We will combine the elements of “spirit of innovation” and “fun” to further expand the Nikon brand.

REALIZING ROBUST CORPORATE CHARACTERISTICS

We will realize robust corporate characteristics able to respond to changes in the business climate in a flexible and timely manner.

ACQUIRING A LEADING POSITION

We will acquire decisive leading positions in our existing businesses.

ESTABLISHING NEW BUSINESSES

We will expand into new business fields to establish new core businesses within the plan year.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

We recognize the importance of CSR and will contribute to the sustainable development of society.

Key Measures of the Medium Term Management Plan

Nikon achieved increases in net sales and earnings in the fiscal year ended March 2012, despite the impact from the flooding in Thailand and the strong yen. Net sales fell slightly short of plan, but operating income and net income both greatly exceeded the consolidated financial targets announced in May 2011. From the fiscal year ending March 2013, we aim to be the leading company in all of our principal businesses. In addition, we are targeting the health and medical field as a new business, and seek to enter the industry within three to five years.

Strengthen business operations and improve the business portfolio

- Expand existing businesses and enhance profitability
- Cultivate new businesses

Cultivate new core businesses, including through alliances with other companies and research institutions

Realize robust corporate characteristics by enhancing business functions and reforming operational processes

Conduct CSR-oriented global business activities

Capital Investment and R&D Plan

Nikon will make the necessary investments to strengthen capabilities, streamline and promote laborsaving in existing businesses, as well as support new business development. R&D spending will be maintained at around 7% of net sales.

Cumulative expenditures for the fiscal years ending March 2013 to 2015

Capital Investment: ¥160 billion (up ¥10 billion from previous plan)

R&D Spending: ¥250 billion (up ¥40 billion from previous plan)

Consolidated Financial Targets

Years ended/ending March 31

(Billions of yen)	2012 (Actual)	2013	2015
Net Sales	918.7	1,030.0	1,250.0
Operating Income	80.1	90.0	150.0
Net Income	59.3	65.0	95.0

Assumed Exchange Rates
 2012 U.S.\$1 = ¥79 1 euro = ¥109
 2013 U.S.\$1 = ¥80 1 euro = ¥105
 2015 U.S.\$1 = ¥80 1 euro = ¥105
 (Announced on May 10, 2012)

FINANCIAL HIGHLIGHTS

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31

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	2003	2004	2005	2006	2007
For the year:					
Net sales	¥ 468,959	¥ 506,378	¥ 638,468	¥ 730,944	¥ 822,813
Cost of sales	307,503	346,898	429,143	468,944	494,663
Selling, general and administrative expenses	157,269	155,805	178,780	195,413	226,143
Operating income (loss)	4,187	3,675	30,545	66,587	102,007
EBITDA (Note 3)	24,622	23,888	50,250	87,347	124,632
Income (loss) before income taxes	(11,128)	9,490	33,443	40,925	87,813
Net income (loss)	(8,143)	2,410	24,141	28,945	54,825
Per share of common stock (yen and U.S. dollars) (Note 1):					
Basic net income (loss)	¥ [22.03]	¥ 6.52	¥ 65.19	¥ 78.16	¥ 146.36
Diluted net income		6.02	57.84	69.33	131.42
Cash dividends applicable to the year		4.00	8.00	10.00	18.00
Capital expenditures	¥ 20,226	¥ 22,267	¥ 22,459	¥ 25,817	¥ 30,432
Depreciation and amortization	20,435	20,213	19,705	20,760	22,625
R&D costs	27,506	30,165	33,561	37,139	47,218
At year-end:					
Total assets	¥ 576,912	¥ 606,513	¥ 633,426	¥ 690,920	¥ 748,939
Total equity	162,464	171,194	196,030	243,122	348,445
Financial ratios (%):					
Equity ratio	28.2	28.2	30.9	35.2	46.5
ROE (Note 3)	[4.8]	1.4	13.1	13.2	18.5
ROA (Note 3)	[1.4]	0.4	3.9	4.4	7.6

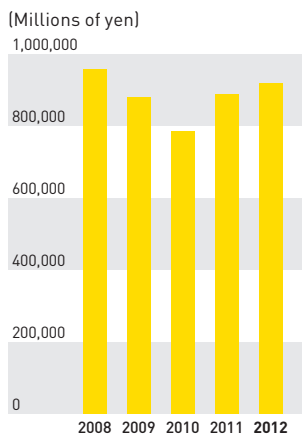
Notes: 1. Per share of common stock information is computed based on the weighted average number of shares outstanding during the year.

2. U.S. dollar figures are translated for reference only at ¥82.19 to US\$1.00, the exchange rate at March 31, 2012.

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.

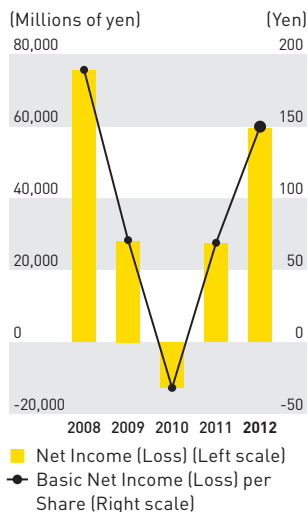
Net Sales

Years ended March 31



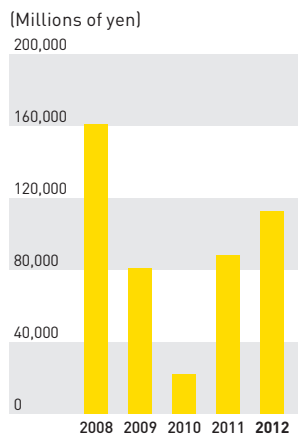
Net Income (Loss) and Basic Net Income (Loss) per Share

Years ended March 31



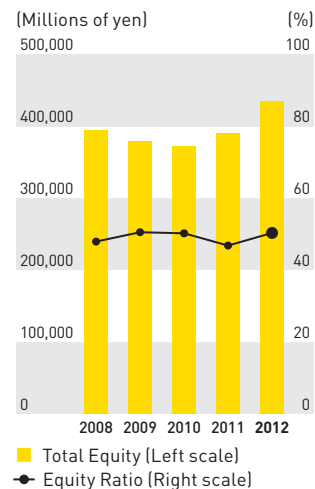
EBITDA

Years ended March 31



Total Equity and Equity Ratio

March 31



2008	2009	2010	2011	Millions of Yen	Thousands of U.S. Dollars (Note 2)
				2012	2012
¥ 955,792	¥ 879,719	¥ 785,499	¥ 887,513	¥ 918,652	\$ 11,177,174
551,551	561,642	552,409	575,536	567,000	6,898,654
269,072	269,892	246,944	257,924	271,571	3,304,183
135,169	48,185	(13,854)	54,053	80,081	974,337
160,847	81,095	22,102	88,087	112,651	1,370,616
116,704	39,180	(17,672)	46,506	86,168	1,048,406
75,484	28,056	(12,615)	27,313	59,306	721,567
¥ 189.00	¥ 70.76	¥ [31.82]	¥ 68.90	¥ 149.57	\$ 1.82
181.23	67.91		68.83	149.41	1.82
25.00	18.00	8.00	19.00	38.00	0.46
¥ 39,829	¥ 43,467	¥ 37,525	¥ 29,776	¥ 55,915	\$ 680,312
25,678	32,910	35,956	34,034	32,570	396,279
58,373	61,489	60,261	60,767	68,701	835,886
¥ 820,622	¥ 749,805	¥ 740,632	¥ 829,909	¥ 860,230	\$ 10,466,364
393,126	379,087	372,070	389,220	433,617	5,275,787
47.9	50.5	50.2	46.9	50.3	
20.4	7.3	(3.4)	7.2	14.4	
9.6	3.6	(1.7)	3.5	7.0	

2012 Highlights

Net Sales

UP 3.5%

Precision Equipment segment results helped boost net sales. Although the Thai flooding affected the Imaging segment's performance, the market share of compact digital cameras grew.

Operating Income

UP 48.2%

Precision Equipment segment results contributed to the considerable gain in earnings.

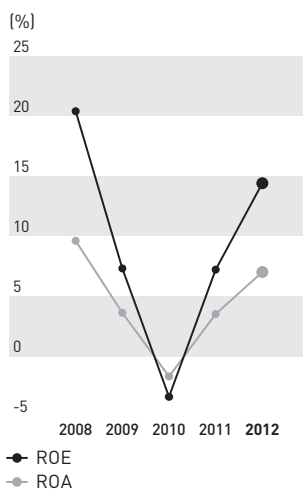
Annual Dividend

¥38

Up ¥19 from the previous fiscal year

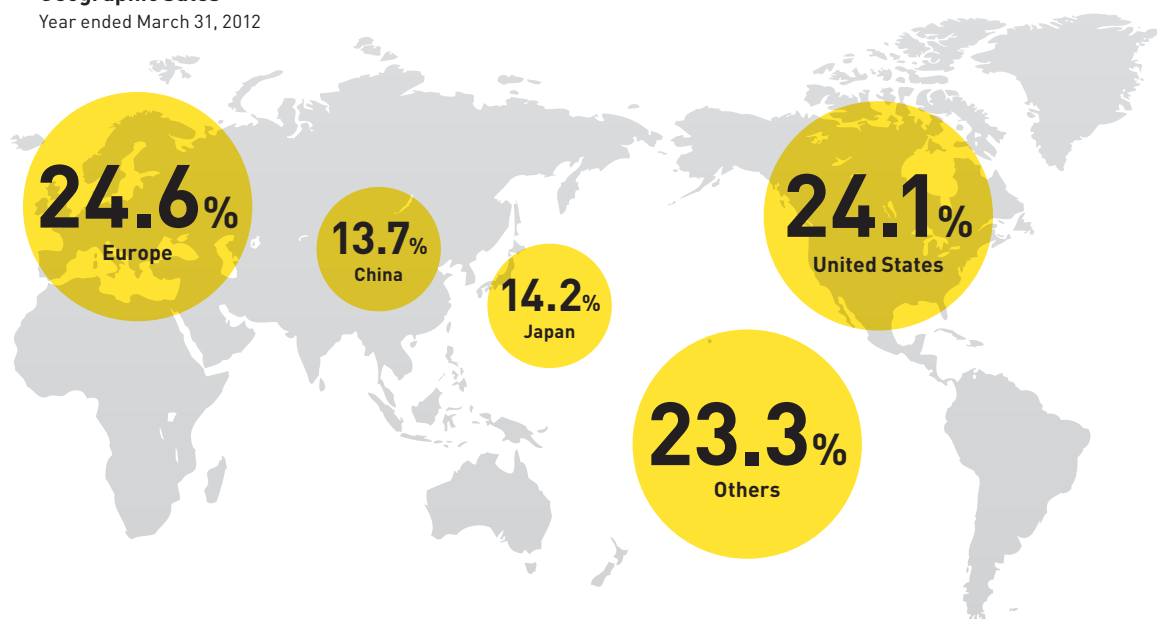
ROE and ROA

Years ended March 31



Geographic Sales

Year ended March 31, 2012



STRATEGIES ON TARGET

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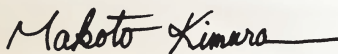


TO OUR SHAREHOLDERS AND INVESTORS

Working on Next Growth Phase; Fully Recovered from Flooding in Thailand

In the fiscal year ended March 2012, although we faced difficult circumstances owing to flood damage sustained by our manufacturing subsidiary in Thailand, we were able to overcome such problems thanks to the collective efforts of the entire Nikon Group. Amid challenging conditions—notably, the impact of natural disasters and appreciation of the yen—on a consolidated basis, we achieved a 3.5% increase in net sales and a 48.2% rise in operating income compared with the previous fiscal year.

In the fiscal year ending March 2013, we are striving to grow our existing businesses and enhance profitability. First of all, the Imaging Company is working toward full recovery from the flood damage in Thailand, and is targeting a substantial increase in revenue and earnings through such factors as robust growth in interchangeable lens-type digital cameras and the development of business in emerging countries. In the Precision Equipment Company, we are endeavoring to realize further improvements in our business structure and expand sales of the latest ArF immersion scanner; and in the Instruments Company, we are working to lift sales by strengthening non-contact three-dimensional (3D) measurement systems. As a result of such measures, on a consolidated basis, we are forecasting net sales amounting to ¥1,030,000 million and operating income of ¥90,000 million. Under the Medium Term Management Plan announced by the Company in May 2012, we are considering the possibility of developing new businesses in the health and medical field, while aiming to realize sustainable growth.



MAKOTO KIMURA
Representative Director,
President, Member of the Board



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

CLEAR VISION FOR THE FUTURE

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INTERVIEW WITH THE PRESIDENT

Please summarize your response to the floods in Thailand and progress so far in recovering from damage.

Owing to the impact of flooding, manufacturing subsidiary Nikon (Thailand) Co., Ltd. (hereafter NTC) suspended all operations in early October 2011. At the end of November, we commenced alternative production at partner factories in Thailand, and resumed partial operations at NTC in January 2012. By the end of March, we had restored the combined production volumes of NTC and partner factories to normal levels.

Although, as a result of the flooding, our manufacturing facilities sustained damage, we were able to minimize this thanks to the efforts of frontline staff who, for example, salvaged several hundred submerged metal dies. While it was the Imaging Company that sustained direct damage from the Thai floods, by transcending the internal company system, the collective efforts of the entire Nikon Group enabled us to respond effectively and make a rapid recovery.

What issues emerged during your recovery from the Great East Japan Earthquake and the Thai floods?

The most crucial issue has been how we would fulfill our responsibilities as a manufacturer to maintain supply lines. Specifically, to deal with any future flooding, we need to build a system that permits a speedy switch to alternative production locations. Furthermore, it is essential to diversify individual risks by, for example, having countermeasures for electricity shortages in place at manufacturing sites, and reinforcing back-up systems for various databases. Nikon is currently carrying out a review of its global crisis management system.

MAKOTO KIMURA
Representative Director,
President, Member of the Board

Nikon's net sales and operating income rose despite the Thai floods and appreciating yen. Please provide an overview of operating results for the fiscal year ended March 2012.

The tremendous efforts of the Precision Equipment Company greatly contributed to our results. In IC steppers and scanners, we expanded sales of ArF immersion scanners, and in LCD steppers and scanners, sales of equipment for small to medium-sized high-definition panels performed well, leading to increases in unit sales. To improve our earnings structure, we implemented measures such as reducing production lead times and trimming costs, thereby enabling the Precision Equipment Company to record substantial increases in segment sales and operating income.

In the Imaging Company, although the first half of the fiscal year saw a robust performance, in the second half the flooding in Thailand meant production was halted for many digital SLR cameras and interchangeable lenses. However, the impact of this disruption was minimized by strong sales of the new Nikon 1 interchangeable lens-type advanced digital camera, and the increased market share achieved by the COOLPIX series compact digital cameras.

In the Instruments Company, within a severe environment characterized by shrinking public expenditure and restrained capital investment by semiconductor and electronic-component manufacturers, we worked to develop business in the emerging markets of Asia and other regions,

and to expand sales of super-resolution microscope systems and non-contact 3D measurement systems.

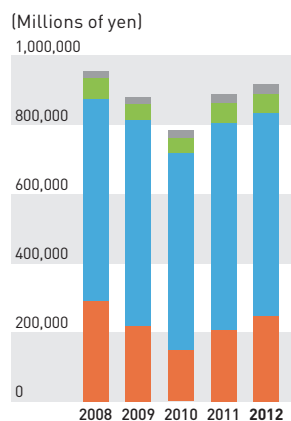
What is your outlook for the operating environment in the fiscal year ending March 2013 and what are the key points to realizing the Group's next phase of growth?

The first key point is how far the Imaging Company can bolster its performance following suspension of digital SLR camera and interchangeable lens production owing to the Thai floods in the previous fiscal year. The second is how resistant the Precision Equipment Company will be to the unavoidable impact of a contracting market. The third key point is whether the Instruments Company's results can outperform the pace of recovery in the market. These are the three points we will be focusing on.

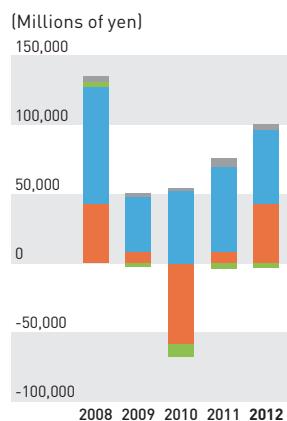
The Imaging Company's performance hinges on how much lost ground it can regain in digital SLR cameras and interchangeable lenses after recovering from the Thai floods. In the non-reflex camera market—which continues to grow—we anticipate expanded sales of the Nikon 1. We are also looking to increase our market share amid a shrinking compact digital camera market. Bringing our production of digital SLR cameras back into good shape, we are forecasting substantial increases in segment sales and operating income compared with the previous fiscal year.

In the Precision Equipment Company, we anticipate deterioration in the markets for both IC and LCD steppers and scanners in the fiscal year ending March 2013. Within that overall situation, for IC steppers and scanners, we expect sales of both the new NSR-S621D ArF immersion scanner and the NSR-S320F ArF scanner to move into

Sales by Business Segment



Operating Income (Loss) by Business Segment



Legend: Precision Equipment (orange), Imaging Products (blue), Instruments (green), Other (grey)

Notes:

- The "Other" segment comprises businesses not included in reportable segments, such as the glass-related business and customized products business.
- Beginning with the fiscal year ended March 2012, we have revised our method of allocating expenses. For purposes of comparison, operating income for the fiscal year ended March 2011 has been revised using the new standard. The year-on-year change for the fiscal year ended March 2012 has been calculated based on the revised figure for the previous fiscal year. For the three fiscal years between April 1, 2007 and March 31, 2010, operating income (loss) was based on the old method.

full swing in the second half of the fiscal year. In LCD steppers and scanners, we expect sales of equipment for small to medium-sized high-definition panels to perform strongly. We believe that the key to securing operating income even when the market suffers a downturn is having a sound business structure, and hence we will continue to implement reforms.

In the Instruments Company, we are seeing a slight upturn in the market. We are working to bolster our microscope market share and are pursuing development and expanded sales of non-contact 3D measurement systems and X-ray inspection systems, and anticipate a decrease in the segment's operating loss.

Please summarize the key issues you are addressing under the new Medium Term Management Plan.

One of the measures we are pursuing to address the first core item in the Medium Term Management Plan—"strengthening business operations and improving the business portfolio"—is "expanding existing businesses and enhancing profitability."

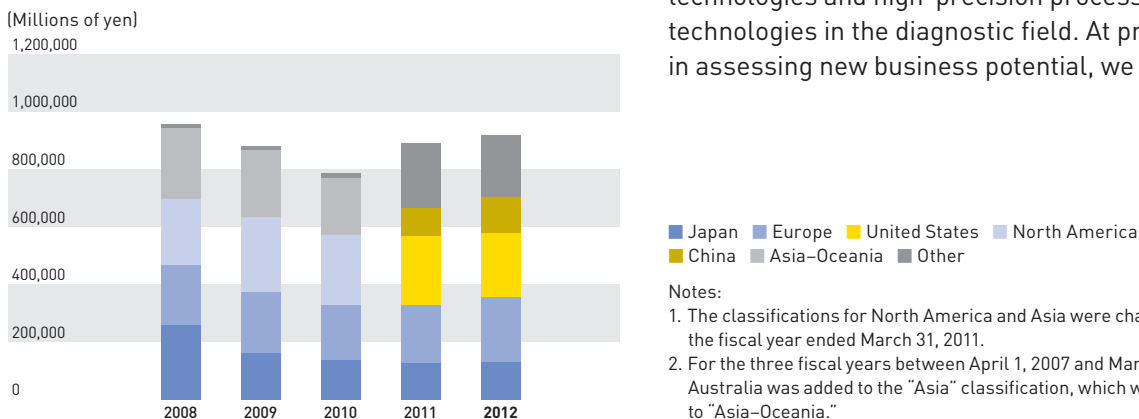
In the Precision Equipment Company, we aim to achieve a market share of approximately 20% for ArF immersion scanners in IC steppers and scanners, and increase this to 40% in the fiscal year ending March 2015, underpinned by the introduction of such new products as the NSR-S621D. In LCD steppers and scanners, where we maintain a high market share, we will bring to

market the high-performance equipment needed in the production of high-precision panels. The Imaging Company will continue to launch products that are clearly differentiated by the strength of our technologies, while also striving to build the Nikon brand and establish a leading position in emerging markets. In compact digital cameras, we are focusing on continued growth in market share as we aim to reach a unit sales level of over 20 million units. In interchangeable lens-type digital cameras, we intend to further reinforce our present leading position. Regarding the Nikon 1, by offering the potential to link up with a wide array of applications, we are striving to stimulate future market development. In the Instruments Company, in addition to acquiring a leading position in non-contact 3D measurement systems and X-ray inspection systems, we are working to expand our Asian market share in microscopes—where aggressive investment continues in corporate R&D, new drug development and other advanced fields. Through these efforts, we will endeavor to make the Instruments Company profitable.

Another measure under "strengthening business operations and improving the business portfolio" is "cultivating new businesses." In order to choose the target for our new business, we considered various factors that are important to the Group. We took into account such aspects as social needs, market scale and potential, synergy with Nikon's core technologies, and the fit with the Nikon brand. As a result, we chose the "health and medical" field as our target. We believe that in recent years there has been a noticeable trend drawing technology and medicine ever closer together. This trend is illustrated by the increasing application of optical technologies and high-precision processing technologies in the diagnostic field. At present, in assessing new business potential, we are

Sales by Region

Years ended March 31



considering such areas as “inspection systems in the diagnostic field” and “products that contribute to quality of life (QOL) enhancement for the elderly.” Our plan calls for entry into the new business within three to five years.

Under the second core item in the Medium Term Management Plan—“realizing robust corporate characteristics by enhancing business functions and reforming operational processes”—we are focusing on processes not only in development and design, as we aim to transform Nikon into a corporate group that does not miss opportunities. We are working to reinforce Group-wide business functions, including shortening production lead times, overhauling the processes and management methods used in development and design, and improving the decision-making process within sales. Furthermore, as production and sales expand globally, we recognize the importance of human resources in overseas business development and are prioritizing the establishment of a solid foundation.

What message do you have for investors with regard to corporate governance?

An essential part of corporate governance is improving transparency. At Nikon, to ensure transparency we implement reliable internal control measures, including the receipt of a written pledge every year from all management-level personnel based on the internal control reporting provisions of the Japanese Financial Instruments and Exchange Law (J-SOX). With regard to compliance too, we

are establishing a system specifically designed to enable senior management to receive negative information expeditiously. We believe that the practice of sound corporate governance is our duty to customers who place their trust in us. Hence, our efforts are not limited to organizational systems, but also include the nurturing of a corporate culture that does not tolerate dishonesty.

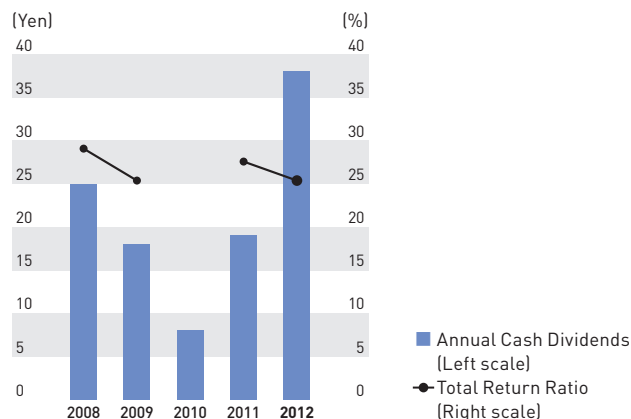
In closing, are there any other points you wish to convey to shareholders and investors?

Following the damage we sustained from the Great East Japan Earthquake and the flooding in Thailand, we received messages of encouragement and a variety of support from many people and organizations, and I wish to take this opportunity to once again communicate my heartfelt gratitude. I believe that our ability to recover more quickly than initially expected is, in a sense, indicative of the strength of Nikon.

Over the next three years, we want to express, through our results, the goal of sustainable growth. Achieving our targets for the fiscal year ending March 2013 will be, in a sense, an important first litmus test. By steadily executing the Medium Term Management Plan and reaching a higher level of profitability, we will strive to raise our total return ratio. I look forward to the ongoing support of all our stakeholders in these endeavors.

Annual Cash Dividends and Total Return Ratio

Years ended March 31



EYES ON THE NEXT PHASE

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KAZUO USHIDA

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

REVIEW OF OPERATIONS: PRECISION EQUIPMENT COMPANY

In IC steppers and scanners, we are enhancing the competitiveness of ArF immersion scanners to increase our market share. In LCD steppers and scanners, we are pursuing higher resolution and processing capabilities in response to customer needs.

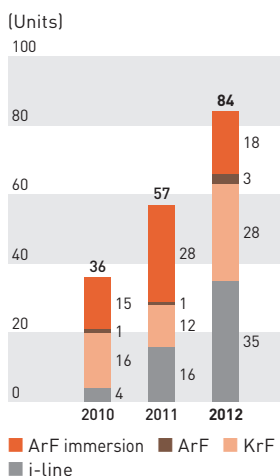
Review of the Fiscal Year Ended March 2012

Segment sales amounted to ¥248,145 million in the fiscal year ended March 2012 (up 18.9% year on year), due mainly to the rise in unit sales of LCD steppers and scanners, and shorter production periods for IC steppers and scanners. Operating income also rose considerably, up five times* from the total in the previous fiscal year to ¥42,724 million.

In LCD steppers and scanners, sales totaled 86 units in response to expanding demand for small to medium-sized high-definition panels used in smartphones and tablet computers. Performance was partially impacted by damage to manufacturing

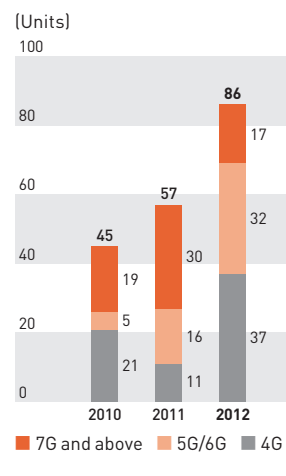
IC Steppers and Scanners, Sales Units by Technology

Years ended March 31



LCD Steppers and Scanners, Sales Units by Generation

Years ended March 31



Note:

Unit sales figures for the fiscal year ended March 2010 and the fiscal year ended March 2011 are for new products only. Figures from the fiscal year ended March 2012 include refurbished equipment.

* Beginning with the fiscal year ended March 2012, we have revised our method of allocating expenses. For purposes of comparison, operating income for the fiscal year ended March 2011 has been revised using the new standard. The year-on-year change for the fiscal year ended March 2012 has been calculated based on the revised figure for the previous fiscal year.



facilities during the Great East Japan Earthquake last year, but restoration was achieved quickly and unit shipments exceeded initial projections.

In IC steppers and scanners, sales totaled 84 units (including refurbished equipment). We focused particularly on expanding sales of ArF immersion scanners, and gained several new customers. We also streamlined the manufacturing process, resulting in a significant shortening of the production lead time from twelve months to six. This enhanced our ability to respond to shifts in the market, while also strengthening our earnings structure.

Market Prospects and the Medium Term Management Plan Strategies

Greater Competitiveness in IC Steppers and Scanners to Expand Market Share

In response to a slowdown in the semiconductor market, we anticipate that during the fiscal year ending March 2013, the market for IC steppers and scanners will soften to unit demand of around 240 units from 311 in the previous year. However, we expect unit demand to rebound to over 300 units during the fiscal year ending March 2015. Despite the current difficult market environment, Nikon plans to secure earnings by enhancing the competitiveness of its products, and expanding its market share.

One of the products that will be key to greater market share is the new NSR-S621D ArF immersion scanner, which we began shipping in January 2012. This new model retains the proven platform of the NSR-S620D, while offering advancements in overlay accuracy and throughput. The reaction

from customers has been positive, and we expect full-fledged introduction at customer plants from the second half of the fiscal year ending March 2013. Drawing on this competitiveness, we aim to achieve a 40% share of the market for ArF immersion scanners by the fiscal year ending March 2015.

Another product underpinning our push to increase market share is the new NSR-S320F ArF scanner announced in December 2011. This new model utilizes a common platform with the NSR-S621D, and offers overlay accuracy and throughput comparable to that of an immersion scanner. We believe this scanner will allow us to respond to new customer needs.

LCD Steppers and Scanners to Meet Need for Higher Resolution and Accuracy

In the LCD steppers and scanners market during the fiscal year ending March 2013, we anticipate that demand will remain firm for lithography equipment for small to medium-sized high-definition panels, mainly 6th generation plates, but will decline for large glass plates that are 7th generation and beyond. Overall, we expect unit demand to decline to around 60 units, from 110 in the previous year.

ArF Immersion Scanner
NSR-S621D



Looking ahead, we expect the market to hit bottom during the fiscal year ending March 2013, and then to begin expanding again sometime around the end of that year centered on small to medium-sized high-definition panels to meet smartphone demand. We also expect an increase in new demand for lithography equipment for large plates, to meet demand for such products as panels with even higher precision than those for full HD televisions.

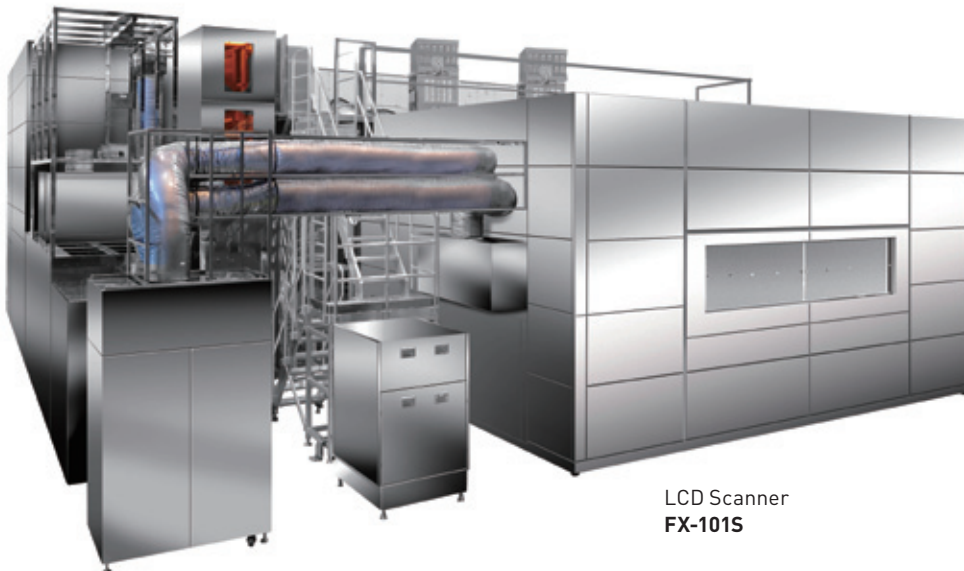
Nikon already has an extremely large share of the market for LCD steppers and scanners, owing to such advanced technologies as multi-lens arrays that easily can be adapted to larger and more precise glass plates. In February 2012, five Nikon employees involved with the development of this technology were awarded the Prime Minister's Prize at the fourth Monozukuri Nippon Grand Awards. We will continue to refine these strengths in an effort to respond to customer needs.

Developing New Technologies to Enter New Business Fields

The Precision Equipment Company is developing new technologies with an eye to the future. The three keywords for this technology development are "Larger," "Finer" and "Taller."

"Larger" refers to the realization of technologies for wafer sizes up to 450 mm, and extremely large LCD panels. "Finer" refers to such aspects as greater overlay accuracy and ultra-thin line widths in lithography equipment. "Taller" indicates the development of three-dimensional technologies by stacking semiconductors.

We are exploring several fields with the goal of expanding into new business domains by effectively utilizing the advanced technologies employed in IC and LCD steppers and scanners. Through these efforts, we intend to strengthen our business foundation.



LCD Scanner
FX-101S

EYES ON BRAND VALUE

REVIEW OF OPERATIONS: IMAGING COMPANY

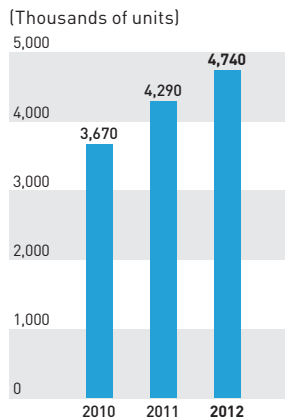
Reflecting its successful recovery after Thailand's flooding and strong demand for the Nikon 1, the Imaging Company expects a sharp upturn in sales of interchangeable lens-type digital cameras. In compact digital cameras, we aim to increase further our share in spite of a maturing market.

Review of the Fiscal Year Ended March 2012

The Imaging Company posted segment sales of ¥587,127 million during the fiscal year ended March 2012 (a year-on-year decline of 1.6%). Operating income reached ¥53,972 million (down 12.2% year on year*). During the first half of the year, sales of both digital SLR cameras and compact digital cameras were extremely strong. However, Thailand's flooding during the second half of the year forced our manufacturing subsidiary, Nikon Thailand Co., Ltd. (hereafter NTC) to suspend operations in October 2011. As many of our digital SLR cameras and interchangeable lenses had been manufactured at this facility, we immediately mounted an intensive, company-wide effort to restore our supply chain and enable the early resumption of manufacturing operations. As a result, at the end of November we were able to begin alternative production at Thai

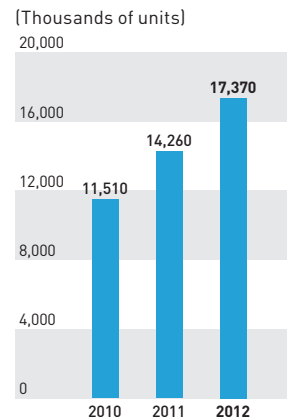
Unit Sales of Interchangeable Lens-Type Digital Cameras

Years ended March 31



Unit Sales of Compact Digital Cameras

Years ended March 31

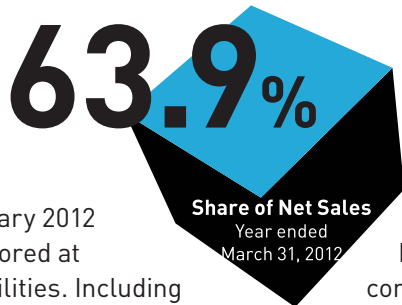


* Beginning with the fiscal year ended March 2012, we have revised our method of allocating expenses. For purposes of comparison, operating income for the fiscal year ended March 2011 has been revised using the new standard. The year-on-year change for the fiscal year ended March 2012 has been calculated based on the revised figure for the previous fiscal year.



YASUYUKI OKAMOTO

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



partner factories, and in January 2012 partial capacity had been restored at NTC's own manufacturing facilities. Including alternative production at Thai partner factories, normal production volume had resumed by the end of March 2012.

When the flooding began there were fears that our business might be seriously impacted and fall into the red during the second half of the year, but the adverse effects of the disaster were minimized thanks to strong sales of the Nikon 1 interchangeable lens-type advanced digital camera that we introduced on the market in October 2011, and to growth in market share of our compact digital cameras. The fact that we were able to achieve profitability by the end of the second half of the fiscal year can be taken as a solid indication of the underlying strength of Nikon's imaging business.

Market Prospects and Medium Term Management Plan Strategies

Analyzing User Needs to Promote Market-Driven Product Development

The market for interchangeable lens-type digital cameras is expected to achieve double-digit annual growth in unit sales through the fiscal year ending March 2015. Although the flooding in Thailand impacted Nikon during the fiscal year ended March 2012, manufacturing capacity has been fully restored, and we plan to boost our market position

significantly during the fiscal year ending March 2013. Meanwhile, the size of the compact digital camera market is expected to remain flat at around 100 million units per year through the fiscal year ending March 2015. Following our success in the U.S. market, Nikon's highly focused marketing efforts enabled us to claim the top share in the European market for the fiscal year ended March 2012. Competition is becoming increasingly fierce, but we intend to maintain our leading market position through the effective combination of desirable products, compelling advertising, and strong marketing capability.

To increase the Imaging Company's market share, our current Medium Term Management Plan calls for the "steady introduction of new products with distinctively superior technologies." The Nikon 1 interchangeable lens-type advanced digital camera represents one fruit of this ongoing strategy. The Nikon 1 is favored by women and young people, segments of the market where Nikon has traditionally been weak. However, it is also accepted as an attractive second camera for digital SLR owners. As a result, the Nikon 1 is succeeding in carving out an entirely new market, distinct from the conventional digital SLR and compact digital camera markets. The reason for its success among consumers lies in the fact that the technologies used in this camera were developed as the result of a thorough analysis of actual user needs. For example, users of compact digital cameras tend to report dissatisfaction with the autofocus speed. The Nikon 1 addressed this issue by introducing the world's first* image sensor, created for



Digital SLR Camera
Nikon D4



Digital SLR Camera
Nikon D800



Digital SLR Camera
Nikon D3200

an interchangeable lens-type digital camera, that comes with a focal plane phase-detection autofocus, providing high-speed, highly accurate autofocus capability. The fact that this camera also allows the user to simultaneously capture video and high-resolution still images, offers the user a new way to enjoy photography.

As is the case with the D800 digital SLR model, which features an advanced image sensor and a superior image-processing engine, we believe that despite the relatively higher prices, products with a clear technological edge will continue to succeed in the marketplace. We will maintain our focus on the development of innovative technologies and products that incorporate those technologies, centering on camera bodies and NIKKOR interchangeable lenses, to meet the ever-evolving needs of our customers.

* As of September 21, 2011

Expanding Our Market Share in Emerging Markets

When we look to the future of the imaging business, our keyword has got to be emerging markets. Much of Nikon's future success will depend on how much market share we are able to capture in developing countries that still have a strong potential for future economic expansion. We already have a solid market share in some of these emerging countries, but many other areas await development. Brand strength is extremely important in these countries, where establishment of strong brand appeal will lead to brand-based demand.

The Nikon brand is already well established in India, Russia and China, where we consistently command a strong share of the market. However, Nikon remains relatively weak in much of Central and South America, the Middle East, Africa and parts of Southeast Asia. We will focus on improving

our brand image in these regions. As part of these efforts, in addition to the sales subsidiaries we have already established in Thailand, Brazil and the United Arab Emirates, we will now turn our attention to reinforcing our sales and service systems in Central and South America and the Middle East.

Establishing a New Brand Image and Reinforcing Our Manufacturing Capability

One of the areas on which I am personally focusing special attention is our brand image. While maintaining the legendary Nikon name for unsurpassed technology and quality, I want to add some new elements to our brand image, such as "fashionable" and "sophisticated." The two products that best embody these new concepts are the Nikon 1, and the COOLPIX series compact digital camera. As they steadily penetrate the market, these two products are beginning to create a very positive new Nikon image that combines the elements of our traditional brand with the new elements of being fashionable and sophisticated.

A second area on which I am placing special emphasis is ensuring that our imaging business is market driven. This requires not only a strong marketing capability, but also demands that we build our ability to create new and advanced technologies to meet user needs, and ensure that our manufacturing capability is the best in the industry. With regard to manufacturing, we are currently working to simplify design work through the adoption of platform-based design systems, and we are looking to cut costs through the increased use of automation. As the person in charge of Nikon's imaging business, I am pleased to report that these new approaches are already beginning to show solid results.



Interchangeable Lens-Type
Advanced Digital Camera
Nikon 1 J1



Interchangeable Lens-Type
Advanced Digital Camera
Nikon 1 V1



Compact Digital Camera
COOLPIX S9300



Compact Digital Camera
COOLPIX P310

EYES ON FURTHER GROWTH

18

NIKON CORPORATION ANNUAL REPORT 2012



TOSHIYUKI MASAI

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

REVIEW OF OPERATIONS: INSTRUMENTS COMPANY

The Instruments Company will continue to develop its bioscience field, with particular focus on products related to live cell research, and will boost sales and profits of its industrial instruments business by expanding sales of non-contact three-dimensional (3D) measurement systems.

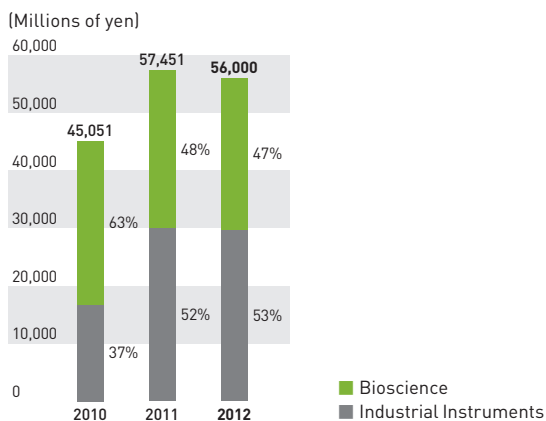
Review of the Fiscal Year Ended March 2012

The Instruments Company posted segment sales of ¥56,000 million in the fiscal year ended March 2012. The figure was down 2.5% year on year as a result of the yen's appreciation and cutbacks in both research and capital expenditures in the overall economy. Operating losses, however, continued to improve, falling to ¥3,166 million (from ¥3,893 million in the previous fiscal year*).

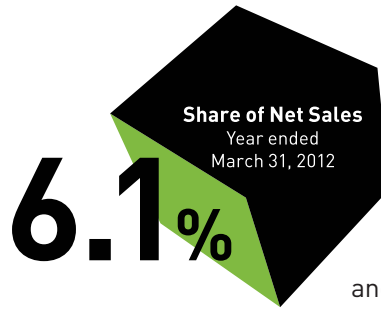
Market conditions were especially severe in the bioscience field as a result of lower public spending in Europe and the United States, as well as project delays and deferrals. Total sales in this area fell compared with the previous fiscal year, but even under these conditions unit sales of our advanced research N-SIM and N-STORM super-resolution microscopes grew more than 50%, and unit sales of confocal microscopes increased more than 20%, thanks to technical advances and improved functions. Unit sales of microscopes for general research

Sales by Product Group

Years ended March 31



* Beginning with the fiscal year ended March 2012, we have revised our method of allocating expenses. For purposes of comparison, operating loss for the fiscal year ended March 2011 has been revised using the new standard.



and clinical fields were up slightly. As a result, despite the contraction in demand in Europe and the United States, we were able to boost our share of the overall bioscience market.

In the field of industrial instruments, demand for optical measuring systems in electronic component and semiconductor industries fell sharply during the second half of the year, particularly in Asia, but sales related to smartphones and tablet computers remained firm. Demand for non-contact 3D measuring systems made by Nikon Metrology NV—established following the October 2009 acquisition of a Belgian manufacturer of measuring equipment—remained strong, especially in the automobile sector, with unit sales growing more than 30% compared with the previous year. As a result, year-on-year sales of industrial instruments were largely unchanged compared with the previous fiscal year.

With regard to Nikon Metrology NV, we recorded an impairment of goodwill of approximately ¥6,500 million during the fiscal period under review. This is because, while sales of the Nikon Metrology Group are growing steadily, we have reached the conclusion that prospects for market growth in the United States, Europe and developed countries are weaker than we had forecast at the time of acquisition, causing us to shift

to a lower growth model. The impairment also reflects the fact that we have revised and refocused the Nikon Metrology product line, in order to generate more stable cash flows.

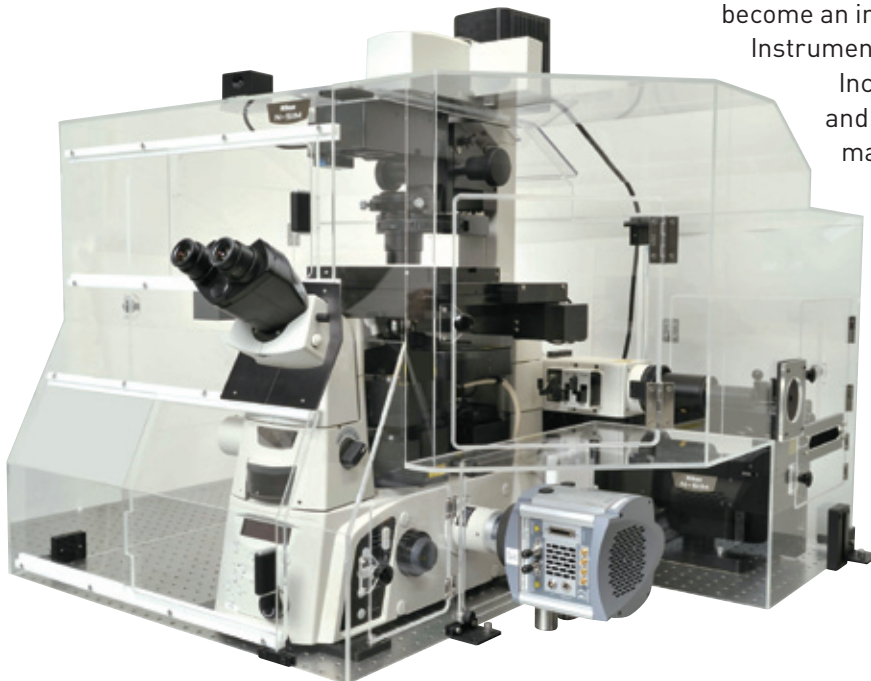
Market Prospects and Medium Term Management Plan Strategies

Bioscience: Enter Live Cell Research Field and Strengthen Presence in Emerging Markets

Most of the demand for our bioscience-related products comes from government agencies and public institutions, and conditions in the bioscience sector are expected to remain severe for some time. To improve our sales and profits under these conditions, it is essential that we move into new fields and develop new markets in emerging countries.

One new field attracting much interest is live cell research. As aging populations and rising health care costs become serious social problems worldwide, there is increasing recognition of the need to remain healthy. This need is closely linked to regenerative and preventive medicine. Live cell research is particularly important in regenerative medicine, an area in which demand for highly advanced microscopes is strong. Nikon is already the market leader in high-end microscope systems for advanced research, but as interest in regenerative medicine grows, we expect that live cell research will become an increasingly important market for the Instruments Company.

Increasing our sales of high-end systems and high-volume products in emerging markets remain important goals. We aim to expand sales of the latter, particularly in the emerging markets of Asia by increasing our sales locations in China, and expanding the localized direct sales in Brazil and Mexico that Nikon established during the fiscal year ended March 2012.



Super Resolution Microscope
N-SIM

Industrial Instruments: Boost Non-Contact 3D Measuring and X-ray Inspection Tools to Lift Profits

Market conditions for industrial instruments are expected to remain severe through the first half of the fiscal year ending March 2013, and although the outlook remains unclear, we expect to see signs of a recovery during the second half of that fiscal year.

Demand for certain products in fields where technology is advancing rapidly will continue to grow. For example, in 3D measuring systems, contact-type devices currently dominate the market, but the shift to non-contact instruments is expanding steadily. Advances in non-contact technology are making it possible to obtain data instantaneously from massive numbers of measurement points, in contrast to the paltry amount of data obtained with contact-type devices, thus facilitating a shift from point-based to plane-based measurement. Moreover, Nikon's technology is allowing us to produce X-ray inspection systems with far superior image quality and measuring accuracy, which is opening up new applications in the industrial instruments field. For these reasons we have identified Nikon Metrology's non-contact 3D measuring systems and X-ray inspection systems as medium-term growth products, and have implemented full-scale product development and marketing programs targeting users with large-scale measurement needs, such as aircraft and automotive industries. We expect these steps to contribute to increased Company sales and profits in future.

We will continue to develop and introduce to the market highly competitive products that combine Nikon's proven optical technologies with the non-

contact 3D measurement and X-ray inspection technologies of Nikon Metrology. We will place special emphasis on reinforcing marketing activities for Nikon Metrology products in Japan and in Asia as a whole. We will take advantage of Nikon's sales subsidiaries and local distributors to extend our sales channels, and we will work to develop product support systems that cover both hardware and software applications.

“Business Must Grow” Aiming to move ahead and expand

Steady growth and expansion is essential for any business, and the Instruments Company is no exception. Our Medium Term Management Plan places special emphasis on the following four strategic areas to help achieve steady growth. 1) Organization: We are reinforcing our marketing department, and creating an organizational management system capable of responding quickly to the needs of the market. 2) Product development: We will focus on development of highly competitive products that meet market needs. 3) Marketing: We will establish a sales system optimized for each regional market, and a service system to enable our customers to select and use our products with confidence. 4) Production: We will establish a more flexible production system in which the manufacturing sites for each product are optimized with regard to exchange rates and other external factors.

These strategic measures will be promoted in a coordinated manner by all of our business divisions, and are designed to help the Instruments Company increase both revenues and profits in the years to come.



X-ray
CT Metrology System
MCT225



High Accuracy
Laser Scanner for CMM
LC15Dx

(CMM: Coordinate Measuring Machine)

CORPORATE GOVERNANCE AND CSR INITIATIVES

Corporate Governance

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.

• Compensation Committee

The Compensation Committee, which includes prominent figures from outside the Nikon Group, was set up to raise the objectivity and transparency of matters related to directors' compensation and to ensure that decisions on remuneration are linked to the corporate financial results. The obligations of this committee include examining and proposing guidelines for directors' compensation and other related systems.

• 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 monitor and audit corporate management and the directors. Three independent corporate auditors from outside the Company have been invited to sit on the Board.

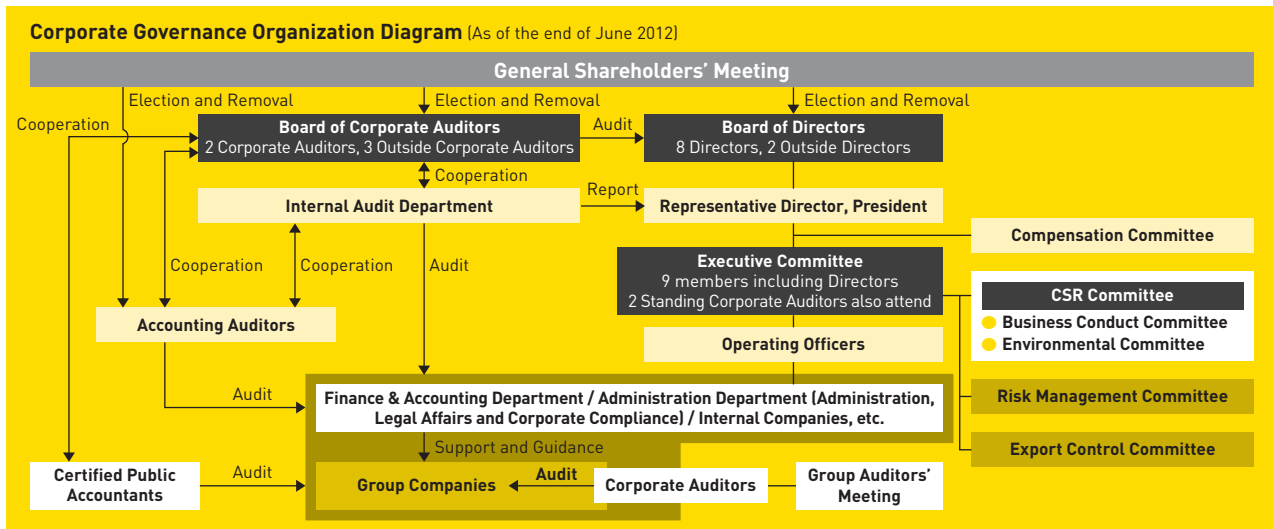
Internal Control System

The Nikon Group's basic policy on its internal control system was established in accordance with Japan's Corporate Law and its enforcement regulations, enacted in May 2006, in order to create a structure for ensuring appropriate business operations.

The Internal Control Reporting System, based on the Japanese Financial Instruments and Exchange Law (J-SOX), was introduced in April 2008 with the aim of ensuring the credibility of financial reports. In accordance with this law, Nikon has established and implemented internal controls, to ensure the reliability of financial reporting, that complies with the basic internal control framework specified by the Standards of the Financial Services Agency and other criteria.

The Internal Audit Department, independent from other operational departments and under the direct control of the president, conducts separate evaluations based on J-SOX, as well as audits of the Nikon Group's systems and their operational status, such as whether departments are conducting operations in accordance with laws, internal regulations and other rules, and whether risks are effectively managed. The department then submits proposals for improvement.

In addition, internal audit sections have been established for each region to audit overseas Group companies. These sections perform internal audits and J-SOX evaluations of their local companies from an independent position, while Nikon's internal audit sections coordinate these activities. In order to further improve the quality of internal audits of overseas Group companies, we also established an internal audit section for the Americas in a North American holding company in June 2011. In this way we are making efforts to construct an internal audit system that covers all four regions worldwide, namely Japan, Europe, Asia-Oceania and the Americas.



CSR Initiatives

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.

In this three-year plan (April 2012 to March 2015), we have set five priority issues that are common to the entire Nikon Group: 1) Expansion and promotion of environmental management; 2) Implementation of compliance activities; 3) Respect for human rights and work environments, and promoting diversity in the workforce; 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 be sincerely deserving of their trust.

CSR Structure

Nikon has established a CSR Committee, which is headed by the president. This committee determines CSR promotion policies and monitors CSR activities. In the fiscal year ended March 2012, as part of our review of decision-making processes we reexamined the purpose and functions of the CSR subcommittees, and streamlined the organizational

structure. The number of subcommittees was reduced from seven to two, the Business Conduct Committee and the Environmental Committee. The Risk Management Committee was reorganized to enhance its functions, and made an independent organization separate from the CSR Committee. We also put in place a structure to promote CSR at Group companies in the China and Hong Kong region, and held the first meeting of the China CSR Committee.

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. In the fiscal year ended March 2012, we implemented measures to firmly establish this revised code across the corporate Group, with the aim of fostering a common global awareness. Specifically, the Compliance Section, the dedicated organization for compliance, conducted a wide range of educational and awareness training activities in cooperation with those in charge of promoting compliance both within the Company and at Group companies. We will continue to implement measures to instill compliance.

Risk Management

To ensure the sustainable development of the Nikon Group, Nikon established the Risk Management Committee and takes steps to manage and address risks in a comprehensive manner. The committee identifies risks, formulates countermeasures, implements a range of measures to minimize damage that could be caused if a risk emerges, performs constant monitoring and manages the risks by implementing a PDCA cycle. In April 2012 the Risk Management Committee was launched under a new framework independent from the CSR Committee. As a result, the issues the committee handles have been expanded from a previously scope to overall risk in general, and the committee has been given new functions, including detecting latent risks and conducting risk assessments (prioritizing).

We consider business continuity to be fundamental to social responsibility, and have formulated Business Continuity Plans (BCPs) assuming large-scale disasters or other disruptions. During the fiscal year ended March 2012, in light of the Great East Japan Earthquake we revised our BCPs to include preparations for an earthquake directly under Tokyo. We conduct training and drills to enhance our risk management capabilities, and are building a business continuity management (BCM) framework to improve our BCPs.

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 environment-friendly company that is able to achieve business growth while preserving the environment. Under this policy, Nikon carries out effective environmental conservation activities through its environmental management system. Specifically, we formulated the three-year Nikon Environmental Action Plan and set environmental targets that are being implemented throughout the Group.

Respect for Human Rights and Work Environments, and Promoting Diversity in the Workforce

The Nikon Group has begun building a global management structure for such issues of high social concern as human rights and work environments, and continually conducts monitoring to understand the current situation and issues

faced throughout the Group. Our basic stance is to respect the diversity and human rights of employees with different backgrounds and treat them fairly, so that they can apply themselves to their work, utilize their abilities, and produce results as a team. Our current efforts for diversity promotion are focused on activities in Japan, such as supporting the progress of women in the workplace and on assisting people with disabilities.

Coexistence with Society and the Natural Environment (Social Contribution Programs)

The Nikon Group's business activities extend to a wide range of countries and regions, and through our social contribution programs we are working to maintain communication with these local communities.

In the fiscal year ended March 2012, as part of a long-term effort to provide aid and assist with the recovery from the Great East Japan Earthquake, we adopted the slogan "Assisting Reconstruction through Photography." One of the measures implemented under this slogan was the photo book project for junior high school students. Nikon provided digital cameras to three junior high schools in the disaster area. Photo books were made for each school, using photos taken and selected by the students, and finally presented to them. By expanding the program to other junior high schools, we will continue this project to support students who are heading for recovery.

Nikon is also continuing existing social contribution programs, including co-sponsoring the UN International Children's Painting Competition on the Environment, the Nikon scholarship programs in Thailand, and the Mt. Fuji reforestation project.

CSR in the Supply Chain

The Nikon Group, in accordance with the Nikon Basic Procurement Policy, has formulated the Nikon Procurement Partners' CSR Guidelines to promote CSR in the supply chain overall, as well as the Nikon Basic Green Procurement Policy to procure environment-friendly parts and materials.

In the fiscal year ended March 2012, to address the issue of conflict minerals, we revised the Nikon Procurement Partners' CSR Guidelines to incorporate measures in response to the issue, and conducted a survey of 1,243 procurement partners in Japan regarding their use of conflict minerals.

External Evaluation

SRI Index Listings

(As of March 31, 2012)

Nikon has been selected for inclusion in the following SRI indices, which represents high evaluation by these ratings institutions.



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, 2012

Business Environment

The production goods market was favorable during the consolidated fiscal year ended March 31, 2012, although supplies of imaging products declined due to flooding in Thailand, while market conditions sagged in the industrial instruments field. Under such conditions, the supply chain rebounded quickly and strongly from the disruptions caused by the Great East Japan Earthquake, and the product supply line recovered within the first half of the subject fiscal year. Operations at Nikon (Thailand) Co., Ltd. were suspended in October 2011 as a result of the flooding, but resumed in January 2012, and including alternative production at Thai partner factories, production volume was back to normal by the end of March.

In terms of the business environment for the Nikon Group's mainstay businesses, for the Precision Equipment Business segment, in the IC-related market capital investment by manufacturers was strong, while in the LCD-related market demand grew for smartphones and tablet computers. For the Imaging Products Business segment, all markets except Japan saw steady growth in interchangeable lens-type digital cameras, while the market for compact digital cameras shrank in all regions except Asia. For the Instruments Business segment, in the bioscience market the deferment in implementation of and reductions in public budgets made for difficult business conditions, while the industrial instruments market continued flat from the previous fiscal year.

Financial Performance

The Nikon Group contended with disaster response efforts during the subject fiscal year, including revival and bolstering of the supply chain in the wake of Japan's massive earthquake in the first half of the period, and the recovery and prompt resumption of operations following the flooding in Thailand in the second half. We also worked to shorten production lead times, cut costs, and realign our risk management structure, while also introducing products in a timely manner in line with the market recovery both in Japan and overseas. As a result, consolidated net sales for the

subject fiscal year increased ¥31,139 million (3.5%) from the previous fiscal year to ¥918,652 million. Operating income rose ¥26,028 million (48.2%) to ¥80,081 million, with net income up ¥31,993 million (117.1%) to ¥59,306 million. Basic net income per share was ¥149.57 (compared with ¥68.90 in the previous fiscal year).

Income (Loss) Analysis

	% of Net Sales	
	2011	2012
Net sales	100.0%	100.0%
Cost of sales	(64.8)	(61.7)
Gross profit	35.2	38.3
SG&A expenses	(29.1)	(29.6)
Operating income	6.1	8.7
Net interest expense and dividend income	0.0	0.0
Net other expenses	(0.9)	0.7
Income before income taxes	5.2	9.4
Income taxes	(2.1)	(2.9)
Net income attributable to minority interests	3.1	6.5
Net income	3.1	6.5

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

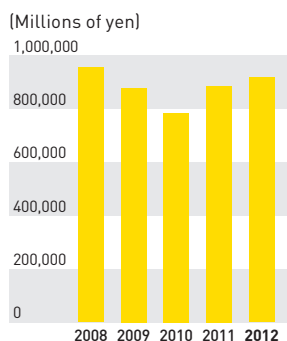
Performance by Business Segment

Business Segment Results

In the Precision Equipment Business segment, capital investment remained strong among IC and LCD manufacturers. In IC steppers and scanners, profitability rose sharply as a result of a greater sales ratio for the highly competitive NSR-S620D ArF immersion scanner. Shipments of the newest model of ArF immersion scanner, the NSR-S621D, began in January 2012. In LCD steppers and scanners, although sales declined for 7th-generation products for large-screen TVs, sales rose for small to medium-sized high-definition 4th-, 5th- and 6th-generation products ideal for mass production of smartphones and tablets. We also began shipments of such products as the FX-66S, which incorporates a multi-lens projection system to enhance productivity and resolution. Further, we took steps to improve profitability by shortening production times

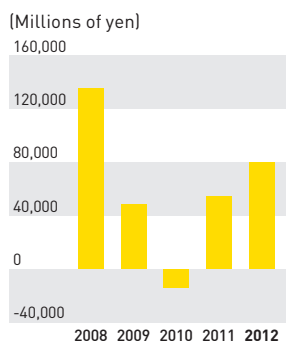
Net Sales

Years ended March 31



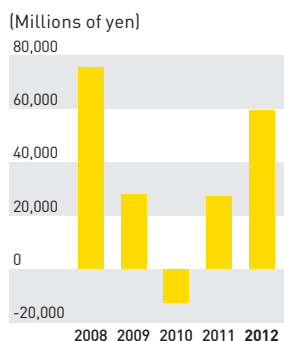
Operating Income (Loss)

Years ended March 31



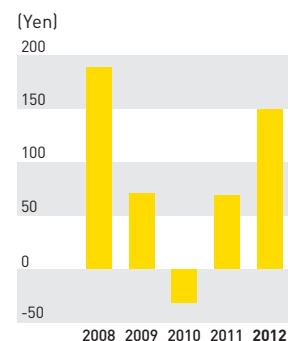
Net Income (Loss)

Years ended March 31



Basic Net Income (Loss) per Share

Years ended March 31



and cutting costs across the business segment. As a result, net sales in the Precision Equipment Business segment amounted to ¥248,145 million (up 18.9% year on year), with operating income at ¥42,724 million.

For the Imaging Products Business segment, in interchangeable lens-type digital cameras, during the first half of the subject fiscal year, the effects of the earthquake led to a contraction in the Japanese market, while in the second half production volume fell due to the flooding in Thailand. However, growth in overseas markets and healthy sales of the Nikon 1 model launched in October 2011 allowed us to secure an increase in sales of more than 450,000 units. In March 2012 we launched the D4 next-generation flagship model, and the D800 model with high definition and image quality. In compact digital cameras, while markets contracted in all regions except Asia, Nikon achieved record high unit sales on the strong performance of such models as the advanced COOLPIX P7100, and the slim body COOLPIX S6200 and COOLPIX S3100. We expanded our market share in all regions, achieving the top position in Europe. In interchangeable lenses, production of NIKKOR lenses reached a cumulative 65 million units. We also strengthened our sales and service structure in emerging countries, establishing the sales subsidiary Nikon Middle East FZE in the United Arab Emirates, following the setting up of similar subsidiaries in Thailand and Brazil. As a result, net sales in the Imaging Products Business segment amounted to ¥587,127 million (down just 1.6% year on year), with operating income of ¥53,972 million.

For the Instruments Business segment, with Western countries postponing implementation of public budgets for bioscience, Nikon launched new products including system products for advanced research, and the ECLIPSE Ni/Ci series of biological microscopes for the research and clinical fields, and worked to expand sales. In the industrial instruments market, amid curbs on capital expenditures we took steps to increase sales of existing products such as optical measuring systems, and concentrated on the development and sale of non-contact 3D measuring instruments, including x-ray systems. As a result, net sales

in the Instruments Business segment amounted to ¥56,000 million (down 2.5% year on year), with the operating loss narrowing to ¥3,166 million. Nikon Metrology NV recorded an impairment loss of ¥6,497 million, as the growth rate in Western markets was below expectations, and is implementing a program of selection and concentration for its product line.

In terms of the component ratio of sales by business segment during the subject fiscal year, the ratio rose for the Precision Equipment Business segment. This sector accounted for 27.0% of sales (compared to 23.5% the previous fiscal year); the Imaging Products Business for 63.9% (67.3%); the Instruments Business for 6.1% (6.5%); and Other Business for 3.0% (2.7%).

Net Sales by Industry Segment

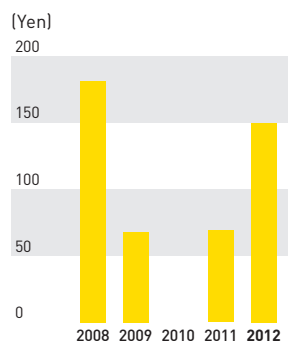
	Millions of Yen, %		Thousands of U.S. Dollars
	2011	2012	2012
Precision Equipment	¥208,614	¥248,145	\$3,019,168
Share of net sales	23.5%	27.0%	
Imaging Products	596,929	587,127	7,143,537
Share of net sales	67.3	63.9	
Instruments	57,451	56,000	681,349
Share of net sales	6.5	6.1	
Other	24,519	27,380	333,120
Share of net sales	2.7	3.0	
Total	¥887,513	¥918,652	\$11,177,174

Capital Expenditures and R&D Spending

Capital expenditures for the fiscal year ended March 31, 2012 amounted to ¥55,915 million, 1.9 times greater than for the previous fiscal year. The increase was due mainly to aggressive investments in response to the market recovery, and renovation of production facilities following the flooding in Thailand. By segment, spending in the Precision Equipment Business totaled ¥7,342 million, in the Imaging Products Business ¥33,299 million, in the Instruments Business ¥1,233 million, and in the Other Business ¥9,059 million. Corporate assets not allocated to any segment

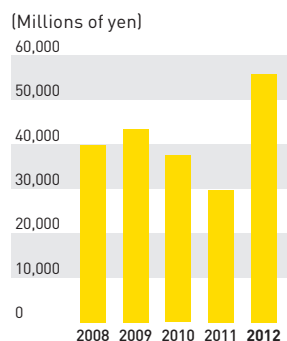
Diluted Net Income per Share

Years ended March 31



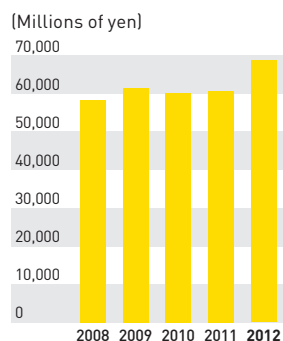
Capital Expenditures

Years ended March 31



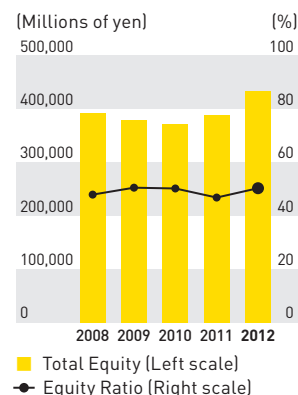
R&D Costs

Years ended March 31



Total Equity and Equity Ratio

March 31



included capital expenditures of ¥4,982 million.

R&D spending amounted to ¥68,701 million, an increase of ¥7,934 million from the previous fiscal year, and 7.5% as a proportion of sales. We will maintain the same level of spending for the fiscal year ending March 31, 2013. By segment, spending in the Precision Equipment Business totaled ¥22,252 million, the Imaging Products Business ¥27,059 million, the Instruments Business ¥5,316 million, and the Other Business ¥14,075 million.

Financial Position

Total assets at March 31, 2012, amounted to ¥860,230 million, an increase of ¥30,321 million from the end of the previous fiscal year (March 31, 2011). This was mainly due to increases in notes and accounts receivable—trade and inventories, as well as the increase in property, plant and equipment resulting from the flooding in Thailand. Total liabilities amounted to ¥426,614 million, a decrease of ¥14,076 million from the end of the previous fiscal year. This was due mainly to a decline in liability for employees' retirement benefits in long-term liabilities.

Total equity amounted to ¥433,617 million, an increase of ¥44,397 million. This mainly reflected the recording of ¥59,306 million in net income, and an increase in retained earnings. The equity ratio was 50.3%, an increase of 3.5 percentage points from the end of the previous fiscal year.

Cash Flow Analysis

Net cash provided by operating activities amounted to ¥15,073 million in the fiscal year ended March 31, 2012. This was due mainly to ¥86,168 million in income before income taxes; offset by a ¥18,681 million increase in notes and accounts receivable—trade; a ¥27,703 million increase in inventories; and a ¥15,530 million decrease in notes and accounts payable—trade.

Net cash used in investing activities amounted to ¥49,145 million, due mainly to ¥35,773 million in expenditures for purchases of property, plant and equipment.

Net cash used in financing activities amounted to ¥15,150 million, due mainly to ¥12,278 million in dividends paid.

Balance Sheet Analysis

March 31, 2011 and 2012	% of Total Assets	
	2011	2012
Total assets	100.0%	100.0%
Total current assets	71.2	70.9
Inventories	28.5	30.6
Property, plant and equipment	14.3	15.2
Investments and other assets	14.5	13.9
Total current liabilities	41.2	39.8
Short-term borrowings	1.8	1.6
Long-term debt, less current portion	8.2	7.7
Total equity	46.9	50.4

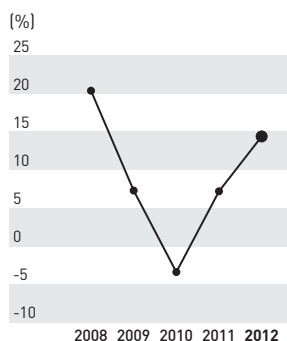
Basic Policy on Shareholder Returns; Current, Subsequent Term Dividends

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, 2012, Nikon has increased its year-end dividend by ¥7, to ¥21 per share which, together with the interim dividend of ¥17 per share, represents a full-year dividend of ¥38 per share. For the fiscal year ending March 31, 2013, we plan to pay a full-year dividend of ¥41 per share (of which the interim dividend will be ¥19 per share).

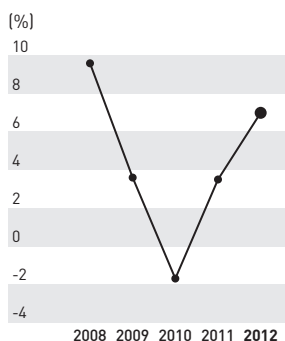
ROE

Years ended March 31



ROA

Years ended March 31



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 future factors. The following is a list of major potential risk factors that could affect the Group's business.

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

In the semiconductor industry, which is the target market for the IC steppers and scanners handled by the Precision Equipment Business, there has been an easing, in recent years, of the wide fluctuations in the business cycle that formerly characterized the industry. This is the result of greater diversity in finished products. Consequently, there is a risk that, during periods of market oversupply of semiconductor devices, demand for steppers and scanners will decline as semiconductor manufacturers curb capital expenditures, producing 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 demand slowdown. The need for LCD steppers and scanners reflects trends in the LCD panel market and, should there be an oversupply of LCD panels, prices will fall, perhaps causing 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 saturation point, 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 areas, including the semiconductor, electric, electronic components, automobiles, and machine tool industries.

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 procurement be significantly disrupted 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 comprises the Precision Equipment Business customer base, is constantly shifting through mergers and alliances in order to adapt to the growing scale of capital expenditures and diversifying technology development. As the relative competitive merits of each company become evident, reflecting technical capabilities or characteristics of the devices they manufacture, the weeding-out process continues. Competition is growing similarly fierce in the LCD panel industry, which appears to be moving toward industry reorganization. Under such conditions, the capital expenditure programs of major customers of the Nikon Group are susceptible to change, including, for example, acute declines in order volume, the switching of orders to rival firms, and the inability of customers to repay 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 were the development of new products and next-generation technology 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 by a competitor of a patent for new technology might cause production or sales to cease, or margins to decline as a result of royalty payments, or 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 probably 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 constant 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 to that for 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 new technology patent by a competitor might cause production or sales to cease, or margins to decline as a result of royalty payments, which factors 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 over a short period of time, which drives further price competition due to slower market expansion.

In IC steppers and scanners, there is the possibility that, as advanced technology develops, competitors will launch a price reduction offensive.

In the Instruments Business, the maturing of the microscope market will enhance competition focused 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, electricity, 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 85.8% of all sales. Consequently, although the Group conducts currency hedging as appropriate to the sales volume and region in question, sharp fluctuations in foreign currency markets could have an impact on sales and earnings from transactions conducted in foreign currencies for the Group's products and services, as well as on the profits, assets and liabilities of overseas subsidiaries, when converted to 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 financial market environment could have an impact on the Group's financing, including an increase in interest rates, or limitations on financing methods. Further, downgrading of the ratings on the Company's corporate bonds or other issues resulting from 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 that 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 are 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 to affected companies or individuals, and implement measures to prevent a reoccurrence of the leak, which could require considerable expenditure. This may 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 losses as a result of a product or service defect, 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.

13. Natural Disasters and Other Calamities

The Nikon Group takes ample precautions with regard to natural disasters such as major earthquakes, fires and floods, and to preventing the spread of infectious diseases such as new strains of influenza. Particular priority has been placed on formulating a business continuity plan (BCP) to cope with earthquakes. However, should catastrophic damage occur to the Group's development or production facilities, or to its suppliers, this could result in the suspension of operations, or delays in production and shipments. Should this lead to a sales decline, or the incurring of large expenditures for business restoration, it could have a negative impact on the earnings and financial position of the Nikon Group.

14. Defamation of Brand Value

The Nikon Group has established the Nikon brand through many years of sincere business management and by providing products and services trusted by customers, and the Group takes sufficient steps to protect and enhance that value. However, should there be a loss of trust, as a result of negative perceptions becoming widely established regarding the Group's technologies, products or services, and the value of the Nikon brand be damaged, this could have a negative impact on the earnings and financial position of the Nikon Group.

CONSOLIDATED BALANCE SHEET

Nikon Corporation and Consolidated Subsidiaries
March 31, 2012

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NIKON CORPORATION ANNUAL REPORT 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2012	2012
ASSETS			
Current assets			
Cash and cash equivalents (Note 14)	¥181,061	¥131,711	\$ 1,602,521
Notes and accounts receivable—trade (Note 14):			
Customers	120,530	133,418	1,623,285
Unconsolidated subsidiaries and associated companies	2,547	4,115	50,072
Allowance for doubtful receivables	(7,365)	(4,667)	(56,789)
Inventories (Note 4)	236,407	263,034	3,200,314
Deferred tax assets (Note 11)	42,640	47,110	573,186
Other current assets	15,135	34,753	422,844
Total current assets	590,955	609,474	7,415,433
Property, plant and equipment (Note 5)			
Land	14,778	14,610	177,753
Buildings and structures	111,255	107,606	1,309,232
Machinery and equipment	170,790	165,787	2,017,116
Furniture and fixtures	60,795	61,367	746,651
Lease assets	15,213	15,882	193,233
Construction in progress	7,566	23,810	289,691
Total	380,397	389,062	4,733,676
Accumulated depreciation	(261,381)	(258,118)	(3,140,495)
Net property, plant and equipment	119,016	130,944	1,593,181
Investments and other assets			
Investment securities (Notes 3, 6, and 14)	46,779	44,897	546,260
Investments in and advances to unconsolidated subsidiaries and associated companies	10,876	14,225	173,074
Long-term loans to employees and other	323	281	3,418
Software	19,016	20,530	249,793
Goodwill	13,236	5,157	62,750
Security deposits	2,647	2,667	32,450
Deferred tax assets (Note 11)	17,605	13,294	161,742
Other	9,717	18,968	230,785
Allowance for doubtful receivables	(261)	(207)	(2,522)
Total investments and other assets	119,938	119,812	1,457,750
Total	¥829,909	¥860,230	\$10,466,364

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2012	2012
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings (Notes 6 and 14)	¥ 14,972	¥ 13,650	\$ 166,079
Current portion of long-term debt (Notes 6 and 14)	4,183	6,864	83,510
Notes and accounts payable—trade (Note 14):			
Suppliers	170,955	154,493	1,879,711
Unconsolidated subsidiaries and associated companies	781	845	10,282
Income taxes payable (Note 14)	2,521	15,076	183,432
Accrued expenses (Note 14)	54,545	54,752	666,158
Advances received	63,626	54,215	659,629
Provision for product warranties	7,297	7,594	92,401
Other current liabilities	23,415	34,520	420,002
Total current liabilities	342,295	342,009	4,161,204
Long-term liabilities			
Long-term debt (Notes 6 and 14)	68,320	65,854	801,238
Liability for employees' retirement benefits (Note 7)	14,951	3,700	45,020
Retirement allowances for directors and corporate auditors (Notes 2 (i) and 7)	606		
Asset retirement obligations	2,325	2,365	28,778
Advance towards compensation for land expropriation	10,490	10,490	127,631
Other long-term liabilities	1,702	2,195	26,706
Total long-term liabilities	98,394	84,604	1,029,373
Commitments and contingent liabilities (Notes 13, 15, and 16)			
Equity			
Common stock (Note 8):			
Authorized—1,000,000,000 shares; issued, 400,878,921 shares in 2011 and 2012	65,476	65,476	796,641
Capital surplus (Note 8)	80,712	80,712	982,011
Stock acquisition rights (Note 9)	427	605	7,361
Retained earnings (Note 8)	272,228	319,823	3,891,269
Treasury stock—at cost:			
4,401,391 shares in 2011 and 4,342,128 shares in 2012	(13,174)	(12,993)	(158,084)
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	4,450	3,062	37,250
Deferred loss on derivatives under hedge accounting	(697)	(1,593)	(19,381)
Foreign currency translation adjustments	(20,202)	(21,475)	(261,280)
Total	389,220	433,617	5,275,787
Total equity	389,220	433,617	5,275,787
Total	¥829,909	¥860,230	\$10,466,364

CONSOLIDATED STATEMENT OF INCOME

Nikon Corporation and Consolidated Subsidiaries
Year ended March 31, 2012

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NIKON CORPORATION ANNUAL REPORT 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2012	2012
Net sales	¥887,513	¥918,652	\$11,177,174
Cost of sales	575,536	567,000	6,898,654
Gross profit	311,977	351,652	4,278,520
Selling, general and administrative expenses (Note 10)	257,924	271,571	3,304,183
Operating income	54,053	80,081	974,337
Other income (expenses)			
Interest and dividend income	1,695	2,072	25,210
Interest expense	(946)	(1,038)	(12,629)
Foreign exchange gains	2,995	4,080	49,635
Loss on sales of property, plant and equipment	(48)	(4)	(52)
Loss on disposals of property, plant and equipment	(1,001)	(251)	(3,052)
Loss on impairment of long-lived assets (Note 5)	(398)	(6,503)	(79,119)
Loss on sales of investment securities	(82)	(96)	(1,169)
Loss on valuation of investment securities	(4,512)	(1)	(10)
Gain on sales of property, plant and equipment	91	160	1,941
Gain on sales of investment securities	30	65	793
Insurance income (Note 19)		15,920	193,698
Effect of application of accounting standard for asset retirement obligations	(1,073)		
Losses from natural disaster (Note 20)	(2,313)	(12,505)	(152,152)
Equity in earnings of unconsolidated subsidiaries and associated companies	1,232	1,535	18,678
Other—net	(3,217)	2,653	32,297
Other income (expenses)—net	(7,547)	6,087	74,069
Income before income taxes and minority interests	46,506	86,168	1,048,406
Income taxes (Note 11):			
Current	13,096	26,627	323,979
Deferred	6,097	235	2,860
Total income taxes	19,193	26,862	326,839
Net income before minority interests	27,313	59,306	721,567
Net income	¥ 27,313	¥ 59,306	\$ 721,567
	Yen		U.S. Dollars (Note 1)
Per share of common stock (Notes 2 (s) and 18):			
Basic net income	¥68.90	¥149.57	\$1.82
Diluted net income	68.83	149.41	1.82
Cash dividends applicable to the year	19.00	38.00	0.46

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Nikon Corporation and Consolidated Subsidiaries
Year ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2012	2012
Net income before minority interests	¥27,313	¥59,306	\$721,567
Other comprehensive income (Note 17):			
Unrealized loss on available-for-sale securities	(1,596)	(1,398)	(17,010)
Deferred loss on derivatives under hedge accounting	(667)	(896)	(10,901)
Foreign currency translation adjustments	(4,230)	(1,273)	(15,488)
Share of other comprehensive (loss) income in associates	(497)	9	115
Total other comprehensive (loss) income	¥ (6,990)	¥ (3,558)	\$ (43,284)
Comprehensive income (Note 17)	¥20,323	¥55,748	\$678,283
Total comprehensive income attributable to—			
Owners of the parent	20,323	55,748	678,283

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Nikon Corporation and Consolidated Subsidiaries
Year ended March 31, 2012

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NIKON CORPORATION ANNUAL REPORT 2012

	Thousands				Millions of Yen						
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)			Total	Total Equity
							Unrealized Gain on Available-for- Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments		
BALANCE, April 1, 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 liquidation 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
Net income					59,306					59,306	59,306
Cash dividends, ¥31.0 per share					(12,292)					(12,292)	(12,292)
Adjustment of retained earnings for newly consolidated subsidiaries and liquidation of consolidated subsidiaries					693					693	693
Purchase of treasury stock	(3)					(6)				(6)	(6)
Disposal of treasury stock	62				(112)	187				75	75
Net change in the year				178			(1,388)	(896)	(1,273)	(3,379)	(3,379)
BALANCE, March 31, 2012	396,537	¥65,476	¥80,712	¥605	¥319,823	¥(12,993)	¥3,062	¥(1,593)	¥(21,475)	¥433,617	¥433,617

Thousands of U.S. Dollars (Note 1)

	Thousands of U.S. Dollars (Note 1)									
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)			Total	Total Equity
						Unrealized Gain on Available-for- Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments		
BALANCE, March 31, 2011	\$796,641	\$982,011	\$5,197	\$3,312,175	\$(160,281)	\$54,145	\$ (8,480)	\$(245,792)	\$4,735,616	\$4,735,616
Net income				721,567					721,567	721,567
Cash dividends, U.S.\$0.377 per share				(149,548)					(149,548)	(149,548)
Adjustment of retained earnings for newly consolidated subsidiaries and liquidation of consolidated subsidiaries				8,428					8,428	8,428
Purchase of treasury stock					(73)				(73)	(73)
Disposal of treasury stock				(1,353)	2,270				917	917
Net change in the year			2,164			(16,895)	(10,901)	(15,488)	(41,120)	(41,120)
BALANCE, March 31, 2012	\$796,641	\$982,011	\$7,361	\$3,891,269	\$(158,084)	\$37,250	\$(19,381)	\$(261,280)	\$5,275,787	\$5,275,787

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Nikon Corporation and Consolidated Subsidiaries
Year ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2012	2012
Operating activities:			
Income before income taxes	¥ 46,506	¥ 86,168	\$1,048,406
Adjustments for:			
Income taxes—paid	(11,587)	(14,098)	(171,534)
Loss on impairment of fixed assets	399	12,128	147,557
Decrease in allowance for doubtful receivables	(603)	(2,424)	(29,498)
Increase in provision for product warranties	1,042	366	4,458
Depreciation and amortization	34,034	32,570	396,279
Decrease in provision for liability for employees' retirement benefits	(2,135)	(11,186)	(136,103)
Increase (decrease) in retirement allowances for directors and corporate auditors	4	(606)	(7,377)
Interest and dividends income	(1,695)	(2,072)	(25,210)
Equity in earnings of unconsolidated subsidiaries and associated companies	(1,232)	(1,535)	(18,678)
Interest expenses	946	1,038	12,629
Gain on sales of property, plant and equipment	(43)	(155)	(1,889)
Loss on disposal of property, plant and equipment	1,008	1,022	12,435
Loss on sales of investment securities	52	31	377
Loss on valuation of investment securities	4,512	1	10
Other—net	2,902	2,568	31,240
Change in assets and liabilities:			
Increase in notes and accounts receivable—trade	(14,844)	(18,681)	(227,292)
Increase in inventories	(34,033)	(27,703)	(337,066)
Increase (decrease) in notes and accounts payable—trade	47,028	(15,530)	(188,953)
Increase (decrease) in advances received	29,304	(9,609)	(116,908)
Increase in accrued expenses	13,939	29	358
Other—net	8,110	(17,249)	(209,845)
Total adjustments	77,108	(71,095)	(865,010)
Net cash provided by operating activities	123,614	15,073	183,396
Investing activities:			
Purchases of property, plant and equipment	(22,886)	(35,773)	(435,252)
Proceeds from sales of property, plant and equipment	722	1,304	15,863
Purchases of investment securities	(434)	(789)	(9,601)
Proceeds from sales of investment securities	686	393	4,777
Proceeds from compensation for land expropriation	2,317		
Net decrease (increase) in loans receivable	398	(1,225)	(14,906)
Other—net	(4,393)	(13,055)	(158,819)
Net cash used in investing activities	(23,590)	(49,145)	(597,938)
Financing activities:			
Net increase (decrease) in short-term borrowings	122	(1,549)	(18,844)
Proceeds from long-term debt	29,892	2,900	35,284
Repayments of long-term debt	(46,626)	(4,290)	(52,205)
Dividends paid	(3,574)	(12,278)	(149,390)
Other—net	64	67	825
Net cash used in financing activities	(20,122)	(15,150)	(184,330)
Foreign currency translation adjustments on cash and cash equivalents	(3,742)	(665)	(8,094)
Net increase (decrease) in cash and cash equivalents	76,160	(49,887)	(606,966)
Cash and cash equivalents of newly consolidated subsidiaries, beginning of year	231	537	6,530
Cash and cash equivalents, beginning of year	104,670	181,061	2,202,957
Cash and cash equivalents, end of year	¥181,061	¥131,711	\$1,602,521

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nikon Corporation and Consolidated Subsidiaries
Year ended March 31, 2012

1. Basis of Presentation of Consolidated Financial Statements

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

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

have been made in the 2011 financial statements to conform to the classifications used in 2012.

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 ¥82.19 to \$1, the approximate rate of exchange at March 31, 2012. 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, 2012 include the accounts of the Company and its 68 significant (68 in 2011) subsidiaries (together, the "Group"). Changes include addition of Nikon Staff Service Corporation and Nikon India Private Limited, and completion of liquidation of 2 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 2011) 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.

The fiscal year end of Nikon Imaging (China) Co., Ltd.; Nikon Precision Shanghai Co., Ltd.; Nikon Imaging (China) Sales Co., Ltd.; and Nikon (Russia) LLC. is December 31. In preparing the consolidated financial statements, the Group used financial statements of those companies that had been prepared on the basis of the provisional closing of their accounts as of the consolidated closing date.

Since the difference between the consolidated closing date and the closing date of Nikon Precision Shanghai Co., Ltd., is within 3 months, the Company used to use financial statements of the consolidated subsidiary as of its closing date and make the necessary adjustments for consolidation for any significant transactions that took place between the closing date and the consolidated closing date up to the previous fiscal year. From the current fiscal year, however, the Company has used financial statements prepared on the basis of the provisional closing of its accounts at the consolidated closing date.

(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; and 5) exclusion of minority interests from net income, if contained in net income.

(c) 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.

(d) 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.

(e) 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.

(f) Long-lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that 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.

(g) 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.

Nonmarketable 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.

(h) 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 a defined-benefit corporate pension plan and lump-sum retirement allowance. Certain domestic subsidiaries have a small enterprise retirement allowance mutual aid system. Certain foreign subsidiaries also have a defined-benefit plan and a defined-contribution pension plan.

The Group accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

In the current fiscal year, the Company contributed ¥14,600 million (\$177,637 thousand) in cash to a retirement benefit trust. The contribution was made to improve the funding of the benefit plan.

(i) Retirement Allowances for Directors and Corporate Auditors

Retirement allowances for directors and corporate auditors were recorded to state the liability at the amount that would be required if all directors and corporate auditors retired at each balance sheet date. However, the Company decided to abolish the Retirement Benefits Plan for Directors, Corporate Auditors and Officers at the close of the Annual General Shareholders' Meeting held on June 29, 2011 and make a final payment of retirement benefits corresponding to the service period of each of its directors, corporate auditors and officers, in accordance with the resolution at the Annual General Shareholders' Meeting. The unpaid amount was recorded in "Other long-term liabilities" in 2012.

(j) 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.

(k) 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.

(l) Research and Development Costs

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

(m) 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 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.

All other leases are accounted for as operating leases.

(n) Bonuses to Directors and Corporate Auditors

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

(o) Income Taxes

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

The Company and some subsidiaries file 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.

(p) Foreign Currency Transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into foreign currencies 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.

(q) 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.

(r) 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.

Derivatives and foreign currency transactions are classified and accounted for as follows:

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

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

(s) Per Share Information

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

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

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

(t) Accounting Changes and Error Corrections

In December 2009, the 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.

(u) Accounting Change

In June 2010, the ASBJ issued revised ASBJ Statement No. 2 (revised 2006) Accounting Standard for Earnings Per Share, ASBJ Guidance No. 4 (revised 2006) Guidance on Accounting Standard for Earnings Per Share, and ASBJ PITF No. 9 (revised 2006) Practical Solution on Accounting for Earnings Per Share, which were effective for fiscal years beginning on or after April 1, 2011.

Effective April 1, 2011, the Company changed its method of calculating diluted earnings per share from not including the fair value of services to the assumed proceeds from the exercise of dilutive stock options with service conditions to including such fair value.

The effect of retrospective application of this accounting policy change was immaterial.

3. Investment Securities

Investment securities at March 31, 2011 and 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Non-Current:			
Equity securities	¥45,903	¥44,063	\$536,105
Debt securities	0	0	4
Investment in a limited liability investment partnership	876	834	10,151
Total	¥46,779	¥44,897	\$546,260

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2011 and 2012 were as follows:

	Millions of Yen			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
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

	Millions of Yen			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
March 31, 2012				
Securities classified as:				
Available-for-sale:				
Equity securities	¥39,633	¥8,410	¥4,204	¥43,839
Total	¥39,633	¥8,410	¥4,204	¥43,839

	Thousands of U.S. Dollars			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
March 31, 2012				
Securities classified as:				
Available-for-sale:				
Equity securities	\$482,216	\$102,322	\$51,146	\$533,392
Total	\$482,216	\$102,322	\$51,146	\$533,392

Carrying amounts of available-for-sale securities whose fair value is not readily determinable as of March 31, 2011 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Available-for-sale:			
Equity securities	¥ 224	¥ 224	\$ 2,717
Investment in a limited liability investment partnership	876	834	10,151
Total	¥1,100	¥1,058	\$12,868

Proceeds from sales of available-for-sale securities was ¥686 million 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 and ¥82 million, respectively, for the fiscal year ended March 31, 2011. Proceeds from sales of available-for-sale securities was ¥393 million (\$4,781 thousand) for the fiscal year ended March 31, 2012. Gross realized gains and losses on these sales computed on a moving-average cost basis were ¥65 million (\$793 thousand) and ¥96 million (\$1,169 thousand), respectively, for the fiscal year ended March 31, 2012.

4. Inventories

Inventories at March 31, 2011 and 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Finished and semifinished products	¥103,758	¥118,899	\$1,446,639
Work in process	106,536	112,143	1,364,441
Raw materials and supplies	26,113	31,992	389,234
Total	¥236,407	¥263,034	\$3,200,314

5. Long-lived Assets

The Nikon Group classifies by business segment the smallest units that create generally independent cash flows as well as important idle assets.

The Group reviewed its long-lived assets for impairment as of March 31, 2011 and recognized an impairment loss of ¥398 million as other expense for machinery, equipment, furniture 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.

The Group reviewed goodwill for impairment as of March 31, 2012. As a result, the Group recognized an impairment loss of

¥6,497 million (\$57,148 thousand) as "Loss on impairment of long-lived assets" for the industrial instruments sector of Instruments Business due to the decrease of expected cash flows generated from the sector. The recoverable amount of that goodwill was measured at its value in use and the discount rate used for computation of present value of future cash flows was 6.6%.

Unutilized assets were ¥2 million (\$29 thousand) for machinery and equipment and ¥3 million (\$14 thousand) for other.

6. Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 2011 and 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Short-term loans, principally from banks:			
2011: 0.50950%–2.42000%			
2012: 0.40120%–4.50000%	¥14,972	¥13,650	\$166,079
Total	¥14,972	¥13,650	\$166,079

Long-term debt at March 31, 2011 and 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Loans, principally from banks and insurance companies:			
2011: 0.44625%–1.95250% due 2011–2016			
2012: 0.64500%–1.95250% due 2012–2017	¥26,460	¥27,600	\$335,807
Obligations under finance leases	6,043	5,118	62,264
Bonds	40,000	40,000	486,677
Total	72,503	72,718	884,748
Less: Current portion	(4,183)	(6,864)	(83,510)
Long-term debt, less current portion	¥68,320	¥65,854	\$801,238

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.

	Issued in	Maturity	Millions of Yen		Thousands of U.S. Dollars
			2011	2012	2012
1.3% Yen Unsecured Bonds	June, 2009	June, 2014	¥10,000	¥10,000	\$121,669
1.65% Yen Unsecured Bonds	June, 2009	June, 2016	10,000	10,000	121,669
0.996% Yen Unsecured Bonds	January, 2011	January, 2018	10,000	10,000	121,669
1.434% Yen Unsecured Bonds	January, 2011	January, 2021	10,000	10,000	121,669
Total			¥40,000	¥40,000	\$486,676

The aggregate annual maturities of long-term debt at March 31, 2012 are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥ 6,864	\$ 83,510
2014	16,419	199,765
2015	827	10,061
2016	25,406	309,107
2017	3,036	36,945
Thereafter	20,166	245,360
Total	¥72,718	\$884,748

At March 31, 2012, the following assets were pledged as collateral for the long-term debt.

	Millions of Yen	Thousands of U.S. Dollars
	2012	2012
Investment securities	¥4,202	\$51,126

Liabilities secured by the above assets were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2012	2012
Long-term debt, including current portion	¥6,200	\$75,435

As is customary in Japan, the Company maintains substantial deposit balances with banks from which it has borrowed. 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 a defined-benefit corporate pension plan and lump-sum retirement allowance. Certain domestic subsidiaries have a small enterprise retirement allowance mutual aid system. Certain foreign subsidiaries also have a defined-benefit plan and a defined-contribution pension plan.

The Group accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The Company decided to abolish the Retirement Benefits Plan for Directors and Corporate Auditors at the close of the Annual General Shareholders' Meeting held on June 29, 2011, and to make a final payment of retirement benefits corresponding to the service period of each of its directors and corporate

auditors, in accordance with the resolution at the Annual General Shareholders' Meeting. This led to a reduction to zero of the provision for retirement benefits for officers, which used to be included in retirement benefit obligation, and the posting

of the amount of final payment as long-term accounts payable—other.

Consequently, provision for retirement benefits for officers is excluded from retirement benefit obligation.

The liability for employees' retirement benefits at March 31, 2011 and 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Projected benefit obligation	¥106,517	¥114,775	\$1,396,457
Fair value of plan assets	(84,657)	(105,686)	(1,285,875)
Unrecognized actuarial gain and loss	(13,793)	(19,410)	(236,161)
Unrecognized prior service cost	6,211	5,026	61,151
	14,278	(5,295)	(64,428)
Prepayment of service cost	673	8,995	109,448
Net liability	¥ 14,951	¥ 3,700	\$ 45,020

The plan assets include contributions to the employee retirement benefit trust of ¥2,544 million and ¥14,358 million (\$174,696 thousand) at March 31, 2011 and 2012, respectively.

The components of net periodic benefit costs for the fiscal years ended March 31, 2011 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Service cost	¥3,428	¥3,447	\$41,935
Interest cost	2,775	2,766	33,650
Expected return on plan assets	(2,000)	(2,035)	(24,765)
Recognized actuarial loss	3,953	2,997	36,466
Amortization of prior service cost	(1,899)	(1,901)	(23,113)
Net periodic retirement benefit costs	¥6,257	¥5,274	\$64,173

In addition to the above, the Company and certain of its overseas subsidiaries charged contributions of ¥1,794 million and ¥1,857 million (\$22,598 thousand) to the defined-contribution pension plan to income during the fiscal years ended March 31, 2011 and 2012, respectively.

Assumptions used for the fiscal years ended March 31, 2011 and 2012 were principally as set forth below:

	2011	2012
Discount rate	2.50%	1.80%
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 the 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 the legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a 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, 2012 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	June 28, 2001	¥1,321	From June 29, 2003 to June 28, 2011
2003 Stock Options	11 directors 11 officers	203,000 shares	June 27, 2003	¥1,048	From June 28, 2005 to June 27, 2013
2004 Stock Options	12 directors 10 officers	210,000 shares	June 29, 2004	¥1,225	From June 30, 2006 to June 29, 2014
2005 Stock Options	11 directors 10 officers	178,000 shares	June 29, 2005	¥1,273	From June 30, 2007 to June 29, 2015
2007 Stock Options	12 directors 12 officers	99,000 shares	March 14, 2007	¥2,902	From February 28, 2009 to February 27, 2017
2007 Stock Options	8 directors 15 officers	26,100 shares	August 27, 2007	¥ 1	From August 28, 2007 to August 27, 2037
2008 Stock Options	8 directors 16 officers	117,900 shares	November 25, 2008	¥ 1	From November 26, 2008 to November 25, 2038
2009 Stock Options	9 directors 15 officers	68,100 shares	August 10, 2009	¥ 1	From August 11, 2009 to August 10, 2039
2010 Stock Options	10 directors 13 officers	66,800 shares	July 14, 2010	¥ 1	From July 15, 2010 to July 14, 2040
2012 Stock Options	10 directors 14 officers	99,700 shares	March 19, 2012	¥ 1	From March 20, 2012 to March 19, 2042

Stock option activities are 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	2012 Stock Options
For the year ended March 31, 2011										
<u>Non-vested</u>										
March 31, 2010—Outstanding										
Granted									66,800	
Canceled										
Vested									66,800	
March 31, 2011—Outstanding										
<u>Vested</u>										
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	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	
For the year ended March 31, 2012										
<u>Non-vested</u>										
March 31, 2011—Outstanding										
Granted										99,700
Canceled										
Vested										99,700
March 31, 2012—Outstanding										
<u>Vested</u>										
March 31, 2011—Outstanding	12,000	27,000	119,000	141,000	99,000	26,100	117,900	68,100	66,800	
Vested										99,700
Exercised	12,000	17,000	21,000	12,000						
Canceled			1,000							
March 31, 2012—Outstanding		10,000	97,000	129,000	99,000	26,100	117,900	68,100	66,800	99,700
Exercise price	¥1,321	¥1,048	¥1,225	¥1,273	¥2,902	¥ 1	¥ 1	¥ 1	¥ 1	1
Average stock price at exercise	¥1,701	¥1,799	¥1,779	¥1,779						
Fair value price at grant date					¥ 840	¥ 3,259	¥ 734	¥ 1,408	¥ 1,527	¥ 2,037

The assumptions used to measure the fair value of 2012 Stock Options which were granted on March 19, 2012:

Estimate method:	Black-Scholes option-pricing model
Volatility of stock price:	47.703%
Estimate remaining outstanding period:	15 years
Estimate dividend:	¥31.00 per share
Risk free interest rate:	1.520%

10. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the fiscal years ended March 31, 2011 and 2012 principally consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Advertising expenses	¥65,824	¥74,389	\$905,083
Provision for doubtful receivables	65	35	421
Provision of warranty costs	4,833	2,967	36,094
Employees' salaries	30,598	30,479	370,832
Net periodic retirement benefit cost	3,446	3,520	42,825
Employees' bonuses and others	15,923	16,583	201,769
Research and development costs	60,767	68,701	835,886

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, 2011 and 2012.

The tax effects of significant temporary differences and loss carryforwards, which result in deferred tax assets and liabilities at March 31, 2011 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Deferred tax assets:			
Write-down of inventories	¥28,866	¥33,873	\$412,126
Warranty reserve	2,395	2,051	24,958
Liability for employees' retirement benefits	7,630	3,860	46,969
Depreciation and amortization	15,389	15,487	188,423
Accrued bonuses	4,840	4,117	50,095
Other	13,132	11,701	142,367
Total	<u>¥72,252</u>	<u>¥71,089</u>	<u>\$864,938</u>
Deferred tax liabilities:			
Deferred gains on sales of property replaced	¥ 3,509	¥ 2,878	\$ 35,014
Unrealized gain on available-for-sale securities	6,563	6,604	80,351
Other	2,163	1,424	17,325
Total	<u>¥12,235</u>	<u>¥10,906</u>	<u>\$132,690</u>
Net deferred tax assets	<u>¥60,017</u>	<u>¥60,183</u>	<u>\$732,248</u>

A valuation allowance of ¥4,237 million in 2011 and ¥3,797 million (\$46,195 thousand) in 2012 was deducted from the amounts calculated above.

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the consolidated statements of income for the fiscal years ended March 31, 2011 and 2012 is as follows:

	2011	2012
Normal statutory tax rate	40.6%	40.6%
Tax credit for research and development costs	(1.6)	(4.2)
Tax rate difference of consolidated subsidiaries	(10.3)	(7.2)
Deferred tax assets for unrealizable profits	6.3	(6.0)
Increase in valuation allowance	1.6	(0.1)
Tax effect on retained earnings for foreign subsidiaries	3.7	
Amortization of goodwill	1.4	3.8
Effect of corporate income tax rate reduction in Japan		4.2
Other—net	(0.4)	0.1
Actual effective tax rate	<u>41.3%</u>	<u>31.2%</u>

The “Act for Partial Revision of the Income Tax Act, etc., for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures” (Act No. 114 of 2011) and the “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” (Act No. 117 of 2011) promulgated on December 2, 2011 led to a reduction of corporate tax rates and the introduction of a special reconstruction corporate tax from the fiscal year beginning on April 1, 2012. Consequently, the effective statutory tax rate applicable in calculation of deferred tax assets and deferred tax liabilities has been changed from the previous rate of 40.6% to 38.0% in respect of the temporary difference expected to be resolved in the fiscal year beginning on April 1, 2012 to the fiscal year beginning on April 1, 2014, and to 35.6% in respect of the temporary difference expected to be resolved in the fiscal year beginning on April 1, 2015 or thereafter. Such change decreased the net amount of deferred tax assets (after deducting deferred tax liabilities) as of the end of the current fiscal year by ¥3,539 million (\$43,056 thousand) and increased the amount of income taxes—deferred for the current fiscal year by ¥3,630 million (\$44,169 thousand).

12. Research and Development Costs

Research and development costs charged to income were ¥60,767 million and ¥68,701 million (\$835,886 thousand) for the fiscal years ended March 31, 2011 and 2012, respectively.

13. Leases

The Group leases certain machinery and equipment for manufacturing.

The minimum rental commitments under noncancelable operating leases at March 31, 2011 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Due within one year	¥2,221	¥2,844	\$34,600
Due after one year	3,905	5,071	61,697
Total	<u>¥6,126</u>	<u>¥7,915</u>	<u>\$96,297</u>

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."

(1) Group policy for financial instruments

The Group restricts fund management to short-term deposits, and funding is mainly through 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 at an early stage. Although receivables in foreign currencies due to global operations are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using forward foreign currency contracts.

Investment securities are exposed to the risk of market price fluctuations but are managed by monitoring market values and financial position of issuers on a regular basis. In addition, securities other than held-to-maturity securities

are continually reviewed as to the situation, taking into account the relationship between the Group and trading partners.

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

Short-term borrowings are mainly related to working capital, and long-term debt is related primarily to working capital and capital investment. Although debts of variable interest rates are exposed to market risks from changes in variable interest rates, some long-term debts among those risks are mitigated by using derivatives of interest rate swaps to reduce the risk of fluctuations in interest expenses and to adjust the fixed interest. Please see "Summary of Significant Accounting Policies, 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 by contracting committed lines of credit.

(3) Fair values of financial instruments

Carrying amounts, fair values and the differences between carrying amounts and fair values as of March 31, 2011 and 2012 were as follows. The accounts deemed to be extremely difficult to calculate the fair values were not included in the following:

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
March 31, 2011			
Cash and cash equivalents	¥181,061	¥181,061	¥
Notes and accounts receivable—trade	115,712	115,712	
Investment securities	45,679	45,679	
Total	¥342,452	¥342,452	¥
Short-term borrowings	¥ 14,972	¥ 14,972	
Notes and accounts payable—trade	171,736	171,736	
Long-term debt	26,460	26,679	¥(219)
Bonds	40,000	40,600	(600)
Accrued expenses	54,545	54,545	
Income taxes payable	2,521	2,521	
Derivatives	(1,823)	(1,823)	
Total	¥308,411	¥309,230	¥(819)

March 31, 2012	Millions of Yen			Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain/Loss	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥131,711	¥131,711	¥	\$1,602,521	\$1,602,521	\$
Notes and accounts receivable—trade	132,866	132,866		1,616,568	1,616,568	
Investment securities	43,839	43,839		533,391	533,391	
Total	¥308,416	¥308,416	¥	\$3,752,480	\$3,752,480	\$
Short-term borrowings	¥ 13,650	¥ 13,650		\$ 166,079	\$ 166,079	
Notes and accounts payable—trade	155,338	155,338		1,889,993	1,889,993	
Long-term debt	27,600	27,877	¥ (277)	335,807	339,179	\$ (3,372)
Bonds	40,000	41,206	(1,206)	486,677	501,351	(14,674)
Accrued expenses	54,752	54,752		666,158	666,158	
Income taxes payable	15,076	15,076		183,432	183,432	
Derivatives	(3,478)	(3,478)		(42,313)	(42,313)	
Total	¥302,938	¥304,421	¥(1,483)	\$3,685,833	\$3,703,879	\$(18,046)

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 receivables—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 ¥1,100 million as of March 31, 2011 and ¥1,058 million [\$12,868 thousand] as of March 31, 2012) are excluded because it is difficult to estimate the fair values and impossible to estimate the future cash flows.

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

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

Accrued expenses:

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

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 yield of government bonds and credit spread. Certain long-term loans with variable interest rates are hedged items of interest rate swaps which qualify for hedge accounting and meet specific matching criteria. The fair value of such long-term loans with variable interest rates are determined by discounting the principal and interest, as if the interest rates under the interest rate swaps were originally applied to the underlying at the rate assumed based on indices such as yield of government bonds and credit spread.

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 long-term debt in the consolidated balance sheet.

(4) Maturity analysis for financial assets and securities with contractual maturities as of March 31, 2011 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Due in One Year or Less	Due after One Year through Five Years	Due in One Year or Less	Due after One Year through Five Years
March 31, 2011				
Cash and cash equivalents	¥181,061	¥	\$1,602,521	\$
Notes and accounts receivable	123,077		1,673,357	
Investment securities				
Available-for-sale securities with contractual maturities		0		4
Total	¥304,138	¥ 0	\$3,275,882	\$
March 31, 2012				
Cash and cash equivalents	¥131,711	¥	\$1,602,521	\$
Notes and accounts receivable	137,533		1,673,357	
Investment securities				
Available-for-sale securities with contractual maturities	0		4	
Total	¥269,244	¥	\$3,275,882	\$

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 is not applied at March 31, 2011 and 2012 were as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	2011				2012			
	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				
Selling EUR	21,106		(699)	(699)				
Selling Other	5,425		(91)	(91)				
Buying JPY	25		(0)	(0)				
Buying USD	13,791		174	174				
Buying EUR	3,276		1	1				
Buying Other	686		(7)	(7)				
Total				<u>¥(601)</u>				
Currency Option Contracts:								
Selling USD	¥ 1,661							
Option Premiums			¥ (4)	¥ (4)				
Buying USD	1,661							
Option Premiums			3	3				
Total				<u>¥ (1)</u>				
Forward Exchange Contracts:								
Selling USD	¥12,092		¥(138)	¥(138)	\$147,119		\$(1,675)	\$(1,675)
Selling EUR	21,887		(607)	(607)	266,292		(7,388)	(7,388)
Selling Other	9,423		(184)	(184)	114,647		(2,240)	(2,240)
Buying JPY	(1)		(0)	(0)	(15)		(0)	(0)
Buying USD	(13,320)		106	106	(162,068)		1,286	1,286
Buying EUR	(5,820)		(37)	(37)	(70,812)		(455)	(455)
Buying Other	(668)		5	5	(8,122)		68	68
Total				<u>¥(855)</u>				<u>\$10,404</u>
Currency Swap Contracts:								
Yen receipt,								
Brazil Real payment	¥ 1,153		¥ 1	¥ 1	\$ 14,028		\$ 11	\$ 11
Total				<u>¥ 1</u>				<u>\$ 11</u>

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 to option premiums are shown.

3. Currency Swap Contracts: The fair values of derivative transactions are based on information provided by financial institutions. The currency swap amounts are notional amounts, which are shown in the above and table, and do not represent the amounts exchanged by the parties or measure the Group's exposure to credit or market risk.

Derivative transactions to which hedge accounting is applied at March 31, 2011 and 2012 were as follows:

		Millions of Yen			Thousands of U.S. Dollars		
		Contract Amount	Contract Amount Due after One Year	Fair Value	Contract Amount	Contract Amount Due after One Year	Fair Value
March 31, 2011	Hedged Item						
Foreign currency forward contracts:							
	Selling USD	¥ 7,533		¥ (40)			
	Selling EUR	30,282		(1,181)			
March 31, 2012	Hedged Item						
Foreign currency forward contracts:							
	Selling USD	¥21,380		¥ (559)	\$260,134		\$ (6,802)
	Selling EUR	40,553		(2,064)	\$493,409		(25,118)

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.

		Millions of Yen		Thousands of U.S. Dollars	
		Contract Amount	Contract Amount Due after One Year	Contract Amount	Contract Amount Due after One Year
March 31, 2011	Hedged Item				
Interest rate swaps:					
	(fixed-rate payment, floating rate receipt)	Long-term debt	¥3,200	¥3,200	
March 31, 2012	Hedged Item				
Interest rate swaps:					
	(fixed-rate payment, floating rate receipt)	Long-term debt	¥4,900	¥3,400	\$59,618 \$41,368

The above interest rate swaps amounts are notional amounts, which are shown in the above table, and do not represent the amounts exchanged by the parties or measure the Group's exposure to credit or market risk. 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, 2012, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
	2012	2012
As the guarantor of bank loans and indebtedness, principally of employees, unconsolidated subsidiaries and associated companies	¥1,869	\$22,744
Total	¥1,869	\$22,744

17. Comprehensive Income

The components of other comprehensive income for the year ended March 31, 2012 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2012	2012
Unrealized (loss) on available-for-sale securities:		
Gains arising during the year	¥(1,983)	\$(24,133)
Reclassification adjustments to profit	30	377
Amount before income tax effect	(1,953)	(23,756)
Income tax effect	555	6,746
Total	¥(1,398)	\$(17,010)
Deferred gain (loss) on derivatives under hedge accounting:		
Gains arising during the year	¥ 3,192	\$ 38,841
Reclassification adjustments to loss	(4,588)	(55,824)
Amount before income tax effect	(1,396)	(16,983)
Income tax effect	500	6,082
Total	¥ (896)	\$(10,901)
Foreign currency translation adjustment:		
Adjustments arising during the year	¥(1,273)	\$(15,488)
Share of other comprehensive loss in associates:		
Gains arising during the year	9	115
Total other comprehensive loss	¥(3,558)	\$(43,284)

The corresponding information for the year ended March 31, 2011 was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

18. Net Income per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2011 and 2012 were as follows:

	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 options)		355		
Diluted EPS				
Net income for computation	¥27,313	396,790	¥ 68.83	\$0.83
For the year ended March 31, 2012				
Basic EPS				
Net income available to common shareholders	¥59,306	396,502	¥149.57	\$1.82
Effect of dilutive securities				
Warrants (stock options)		440		
Diluted EPS				
Net income for computation	¥59,306	396,942	¥149.41	\$1.82

In June 2010, the ASBJ issued revised ASBJ Statement No. 2 (revised 2006) Accounting Standard for Earnings Per Share, ASBJ Guidance No. 4 (revised 2006) Guidance on Accounting Standard for Earnings Per Share, and ASBJ PITF No. 9 (revised 2006) Practical Solution on Accounting for Earnings Per Share, which were effective for fiscal years beginning on or after April 1, 2011.

Effective April 1, 2011, the Company changed its method of calculating diluted earnings per share from not including the fair value of services to the assumed proceeds from the exercise of dilutive stock options with service conditions to including such fair value.

The effect of retrospective application of this accounting policy change was immaterial.

19. Insurance Income

Nikon (Thailand) Co., Ltd., which incurred damage due to the floods in Thailand in October 2011, recorded as insurance income the reimbursement received for a part of the losses of property, plant and equipment and inventories affected by the disaster.

20. Losses from Natural Disaster

The Group incurred losses from a natural disaster of ¥2,313 million in 2011 in connection with the Great East Japan Earthquake which took place on March 11, 2011.

The losses mainly include expenses to restore certain 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.

The Group incurred losses from a natural disaster of ¥12,505 million in 2012, which includes the loss of noncurrent assets, inventories and other expenses, due to the floods in Thailand which took place in October 2011.

The loss mainly includes the following:

	Millions of Yen	Thousands of U.S. Dollars
Disposal and impairment loss of noncurrent assets	¥6,790	\$82,615
Disposal and write-down of inventories	2,117	25,757
Restoration cost and others	1,579	19,207

21. Subsequent Events

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2012 was approved at the Company's shareholders' meeting held on June 28, 2012:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥21.00 (\$0.26) per share	¥8,327	\$101,317

22. Segment Information

1. Description of reportable segments

The Group's reportable segments are those for which separate 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, like 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. Intersegment sales or transfers are based on current market prices.

3. Information about sales, profit (loss), assets, liabilities and other items is as follows:

Millions of Yen

	Reportable Segment				Other	Total	Reconciliations	Consolidated
	Precision Equipment	Imaging Products	Instruments	Total				
For the year ended March 31, 2011								
Sales:								
Sales to external customers	¥208,614	¥596,929	¥57,451	¥862,994	¥24,519	¥887,513		¥887,513
Intersegment sales or transfers	749	1,065	1,802	3,616	17,706	21,322	¥ (21,322)	
Total	209,363	597,994	59,253	866,610	42,225	908,835	(21,322)	887,513
Segment profit (loss)	¥ 2,712	¥ 53,558	¥ (5,248)	¥ 51,022	¥ 3,052	¥ 54,074	¥ (21)	¥ 54,053
Segment assets	¥215,076	¥214,736	¥53,383	¥483,195	¥63,202	¥546,397	¥283,512	¥829,909
Other:								
Depreciation and amortization	12,524	12,466	2,045	27,035	6,999	34,034		34,034
Increase in property, plant and equipment and intangible assets	7,597	18,101	1,600	27,298	2,478	29,776		29,776

Notes: 1. The "Other" category incorporates operations not included in the reportable segments, including the glass-related business and the customized products business.

2. Reconciliation of segment profit (loss) includes elimination of intersegment transactions of minus ¥21 million. In addition, reconciliations of segment asset adjustments includes corporate assets not allocated to the respective reportable segments of ¥294,026 million and the elimination of intersegment transactions of minus ¥10,514 million. The 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 in the consolidated financial statements.

4. During the consolidated fiscal year ended March 31, 2012, the sport optics products business, formerly included in "Other" business, was transferred to the "Imaging Products" business. Due to this change, the segment information for the fiscal year ended March 31, 2011 was prepared according to the revised business segment. As a result of revising the business segments, sales to outside customers, intersegment sales or transfers, segment profits, segment assets, depreciation and amortization, and increase in tangible/intangible fixed assets for the Imaging Products Business increased by ¥553 million, ¥14 million, ¥1,226 million, ¥655 million, ¥267 million, and ¥150 million, respectively.

Millions of Yen

	Reportable Segment				Other	Total	Reconciliations	Consolidated
	Precision Equipment	Imaging Products	Instruments	Total				
For the year ended March 31, 2012								
Sales:								
Sales to external customers	¥248,145	¥587,127	¥56,000	¥891,272	¥ 27,380	¥918,652		¥918,652
Intersegment sales or transfers	856	1,350	1,638	3,844	31,575	35,419	¥ (35,419)	
Total	249,001	588,477	57,638	895,116	58,955	954,071	(35,419)	918,652
Segment profit (loss)	¥ 42,724	¥ 53,972	¥ (3,166)	¥ 93,530	¥ 4,181	¥ 97,711	¥ (17,630)	¥ 80,081
Segment assets	¥200,633	¥251,956	¥49,860	¥502,449	¥109,552	¥612,001	¥248,229	¥860,230
Other:								
Depreciation and amortization	9,025	12,585	1,476	23,086	6,587	29,673	2,897	32,570
Increase in property, plant and equipment and intangible assets	7,342	33,299	1,233	41,874	9,059	50,933	4,982	55,915

Thousands of U.S. Dollars

	Reportable Segment					Other	Total	Reconciliations	Consolidated
	Precision Equipment	Imaging Products	Instruments	Total					
For the year ended March 31, 2012									
Sales:									
Sales to external customers	\$3,019,168	\$7,143,537	\$681,349	\$10,844,054	\$ 333,120	\$11,177,174			\$11,177,174
Intersegment sales or transfers	10,413	16,429	19,923	46,765	384,177	430,942	\$ (430,942)		
Total	3,029,581	7,159,966	701,272	10,890,819	717,297	11,608,116	(430,942)		11,177,174
Segment profit (loss)	\$ 519,819	\$ 656,668	\$ (38,522)	\$ 1,137,965	\$ 50,865	\$ 1,188,830	\$ (214,493)		\$ 974,337
Segment assets	\$2,441,083	\$3,065,525	\$606,649	\$ 6,113,257	\$1,332,912	\$7,446,169	\$3,020,195		\$10,466,364
Other:									
Depreciation and amortization	109,805	153,127	17,960	280,892	80,138	361,030	35,249		396,279
Increase in property, plant and equipment and intangible assets	89,327	405,146	15,004	509,477	110,217	619,694	60,618		680,312

Notes: 1. The "Other" category incorporates operations not included in the reportable segments, including the glass-related business and the customized products business.

2. Segment profit (loss) adjustment includes elimination of intersegment transactions of ¥665 million (\$8,090 thousand) and corporate expenses of minus ¥18,294 million (minus \$222,582 thousand). From the three months ended June 30, 2011, the Group has revised its method of performance management regarding headquarter division-related expenses; and among such headquarter division-related expenses, research and development expenses and a portion of expenses relating to the provision of services, which had previously been allocated to each segment, have been accounted for as corporate expenses. The impact of this change on segment profit has been ¥6,306 million (\$76,725 thousand) in the Precision Equipment Business, ¥10,103 million (\$122,922 thousand) in the Imaging Products Business, ¥1,314 million (\$15,987 thousand) in the Instruments Business, and ¥570 million (\$6,935 thousand) in Other business. The net sales of each segment and the net sales and operating income under corporate have not been affected by this change. Segment assets adjustment includes corporate assets not allocated to the respective reportable segments of ¥268,273 million (\$3,264,057 thousand) and elimination of intersegment transactions of minus ¥20,043 million (minus \$243,862 thousand). The Group also revised its method of corporate asset management with the revision of its performance management method regarding headquarter division-related expenses. The impact of this change on segment assets has been minus ¥13,602 million (minus \$165,490 thousand) in the Precision Equipment Business, minus ¥16,261 million (minus \$197,850 thousand) in the Imaging Products Business, minus ¥1,074 million (minus \$13,063 thousand) in the Instruments Business, and ¥5,436 million (\$66,144 thousand) in Other business. The impact of this change on depreciation and amortization has been minus ¥1,515 million (minus \$18,433 thousand), minus ¥3,321 million (minus \$40,410 thousand), minus ¥187 million (minus \$2,269 thousand), and ¥2,126 million (\$25,864 thousand) in the Precision Equipment Business, the Imaging Products Business, the Instruments Business and Other business, respectively. The impact of this change on increase in tangible/intangible fixed assets has been minus ¥2,679 million (minus \$32,590 thousand) in the Precision Equipment Business, minus ¥8,026 million (minus \$97,654 thousand) in the Imaging Products Business, minus ¥578 million (minus \$7,032 thousand) in the Instruments Business, and ¥6,351 million (\$77,272 thousand) in Other business.

3. The segment profit is adjusted with reported operating income in the consolidated financial statements.

Related Information

1. Related information by geographical area at March 31, 2011 and 2012 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
	Millions of Yen					
	Japan	USA	Europe	China	Other	Total
For the year ended March 31, 2012	¥130,517	¥221,768	¥225,739	¥126,302	¥214,326	¥918,652
	Thousands of U.S. Dollars					
	Japan	USA	Europe	China	Other	Total
For the year ended March 31, 2012	\$1,587,995	\$2,698,236	\$2,746,554	\$1,536,708	\$2,607,681	\$11,177,174

Note: Sales are classified in 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	
	Millions of Yen					
	Japan	North America	Europe	China	Other	Total
For the year ended March 31, 2012	¥95,509	¥5,161	¥3,334	¥13,930	¥13,010	¥130,944
	Thousands of U.S. Dollars					
	Japan	North America	Europe	China	Other	Total
For the year ended March 31, 2012	\$1,162,052	\$62,792	\$40,565	\$169,480	\$158,292	\$1,593,181

2. Information for amortization of goodwill for the years ended March 31, 2011 and 2012, and the balance of goodwill by reportable segments at March 31, 2011 and 2012 were as follows:

	Millions of Yen					
	Reportable Segments			Other	Corporate or Eliminations	Total
Precision Equipment	Imaging Products	Instruments	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
	Millions of Yen					
	Reportable Segments			Other	Corporate or Eliminations	Total
Precision Equipment	Imaging Products	Instruments	Total			
For the year ended March 31, 2012						
Amortization of goodwill for the current fiscal year			¥1,582	¥1,582		¥1,582
Impairment loss for assets for the current fiscal year			¥6,497	¥6,497		¥6,497
Balance of goodwill at March 31, 2012			¥5,157	¥5,157		¥5,157
	Thousands of U.S. Dollars					
	Reportable Segments			Other	Corporate or Eliminations	Total
Precision Equipment	Imaging Products	Instruments	Total			
For the year ended March 31, 2012						
Amortization of goodwill for the current fiscal year			\$19,244	\$19,244		\$19,244
Impairment loss for assets for the current fiscal year			\$79,049	\$79,049		\$79,049
Balance of goodwill at March 31, 2012			\$62,750	\$62,750		\$62,750

INDEPENDENT AUDITORS' REPORT

Deloitte.

Deloitte Touche Tohmatsu LLC
MS Shibaura Building
4-13-23, Shibaura
Minato-ku, Tokyo 108-8530
Japan
Tel: +81 (3) 3457 7321
Fax: +81 (3) 3457 1694
www.deloitte.com/jp

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of NIKON CORPORATION:

We have audited the accompanying consolidated balance sheet of NIKON CORPORATION and consolidated subsidiaries as of March 31, 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in conformity with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

Our audit 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.

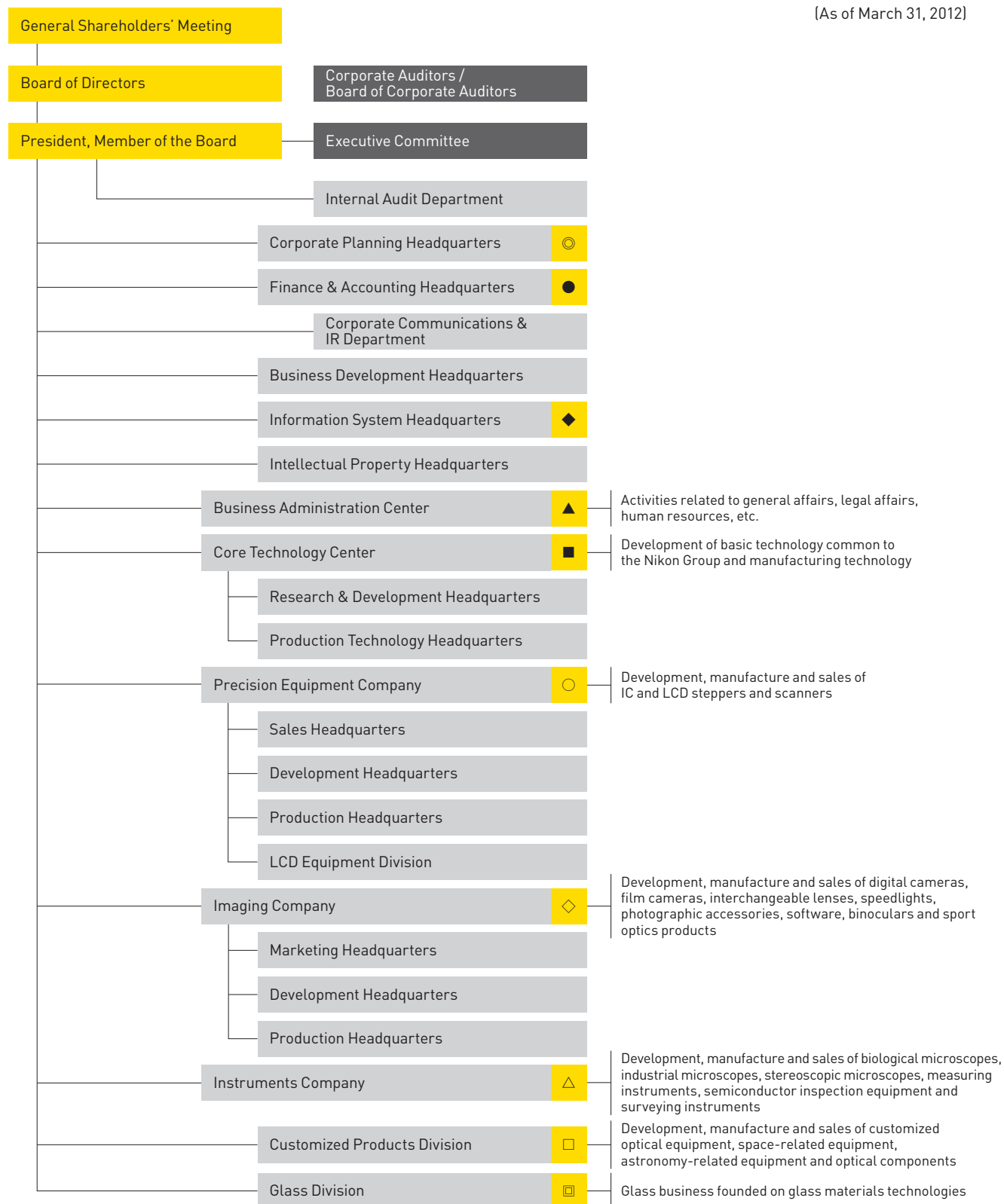
Deloitte Touche Tohmatsu LLC

June 28, 2012

Member of
Deloitte Touche Tohmatsu Limited

ORGANIZATION OF THE NIKON GROUP

(As of March 31, 2012)



Note: Symbols next to division names ("○" "◊" "◻" etc.) indicate affiliated companies. The symbols can be matched with those on the list of Nikon Group Companies (P60-61) to determine which company is affiliated with which division.

NIKON GROUP COMPANIES

(★ Consolidated as of March 31, 2012)

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 and the Middle East

- ★ **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 Middle East FZE**
Import, sales and servicing of cameras in the Middle East, Africa, and Western and Southern Asia
- ◇ ★ **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.***
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.***
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

*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, 2012)

DIRECTORS, AUDITORS AND OFFICERS

Board of Directors

Makoto Kimura

Representative Director, President,
Member of the Board

Junichi Itoh

Representative Director,
Member of the Board

Kazuo Ushida

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

Hiroshi Ohki

Director, Member of the Board

Kenichi Kanazawa

Director, Member of the Board

Kenji Matsuo

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

Koukei Higuchi

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

Corporate Auditors

Yoshimichi Kawai

Standing Corporate Auditor

Yoshiyuki Nagai

Standing Corporate Auditor

Susumu Kani

Corporate Auditor
(Corporate Advisor, Mitsubishi Corporation)

Haruya Uehara

Corporate Auditor
(Senior Advisor, 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, in charge of Finance
& Accounting Headquarters, in charge of
overseeing Internal Audit Department

Kazuo Ushida

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

Toshiyuki Masai

Executive Officer
President of 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, in charge of overseeing Glass
Division

Hiroshi Ohki

Executive Officer
President of Core Technology Center &
General Manager of Research & Development
Headquarters, Core Technology Center,
in charge of overseeing Customized Products
Division

Takaharu Honda

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

Kenichi Kanazawa

Executive Officer
President of Business Administration Center,
in charge of Information System Headquarters,
in charge of manufacturing reform project

Toshikazu Umatate

Executive Officer
Vice President of Precision Equipment
Company & General Manager of Semiconductor
Equipment Division, Precision Equipment
Company

Tsuneo Kosaka

Executive Officer
Vice President of Imaging Company & General
Manager of Production Headquarters, Imaging
Company

Koji Morishita

Operating Officer
Executive Assistant to the President

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 LCD Equipment Division,
Precision Equipment Company

Masao Nakajima

Operating Officer
General Manager of Production Headquarters,
Semiconductor Equipment Division, 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
Chairman & CEO, Nikon Metrology NV

Atsumi Nakamura

Operating Officer
General Manager of Business Planning
Department & Bioscience Marketing
Department, Instruments Company

Takumi Odajima

Operating Officer
General Manager of Planning Headquarters,
Precision Equipment Company

Jun Nagatsuka

Operating Officer
General Manager of Production Technology
Headquarters, Core Technology Center

(As of June 28, 2012)

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

24,348 (Consolidated)

Common Stock

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

Number of Shareholders

22,600

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

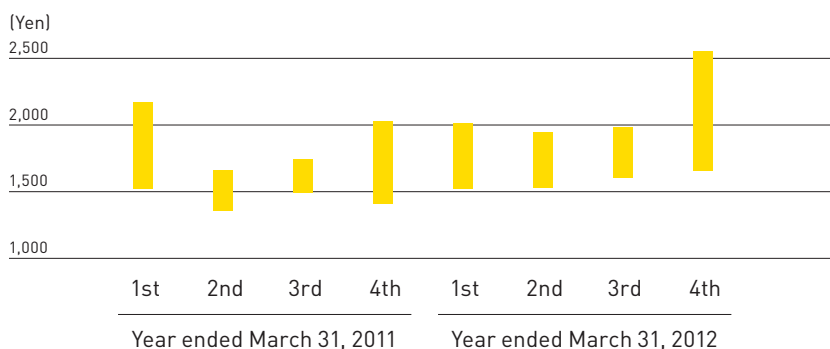
[As of March 31, 2012]

Major Shareholders

Name of shareholder	Number of shares held (thousands)	Percentage of total shares issued
Japan Trustee Services Bank, Ltd. (Trust Account)	30,063	7.58
The Master Trust Bank of Japan, Ltd. (Trust Account)	29,851	7.53
JP Morgan Chase Bank 380055	23,825	6.01
Meiji Yasuda Life Insurance Company	20,565	5.19
State Street Bank and Trust Company	19,222	4.85
Mitsubishi UFJ Trust and Banking Corporation	9,134	2.30
Tokio Marine & Nichido Fire Insurance Co., Ltd.	8,054	2.03
Nippon Life Insurance Company	7,893	1.99
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	7,706	1.94
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	7,378	1.86

Note: The ratio of shareholding is calculated by deducting treasury stock of 4,342,128 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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Tokyo 100-8331, Japan
www.nikon.com



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