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

Years ended March 31, 2011 and 2012

	% 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**

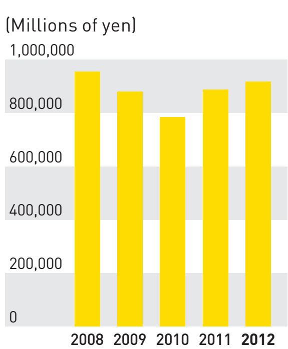
Note: Expenses, losses and subtractive amounts are in parentheses.

Performance by Business Segment

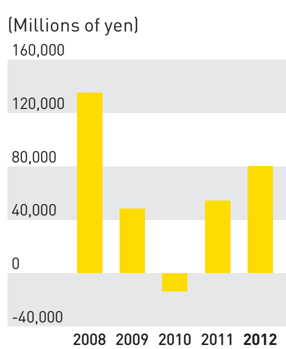
Business Segment Results

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

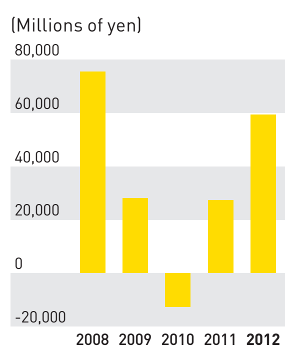
Net Sales
Years ended March 31



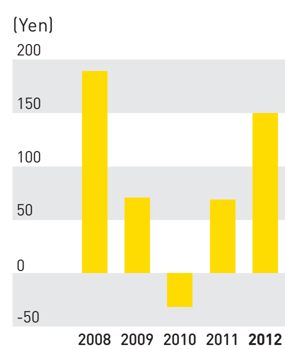
Operating Income (Loss)
Years ended March 31



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%).

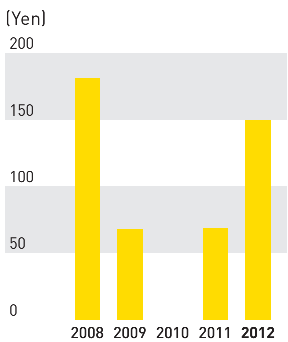
Net Sales by Industry Segment
Years ended March 31, 2011 and 2012

	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**

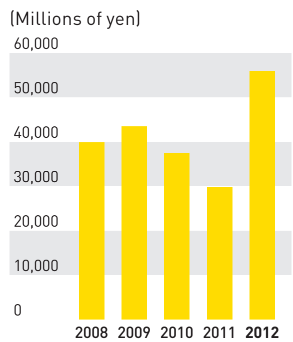
Capital Expenditures and R&D Spending

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

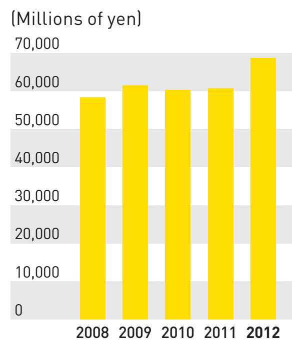
Diluted Net Income per Share
Years ended March 31



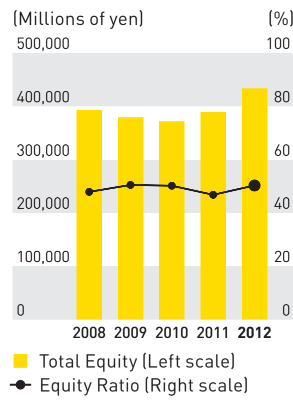
Capital Expenditures
Years ended March 31



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.

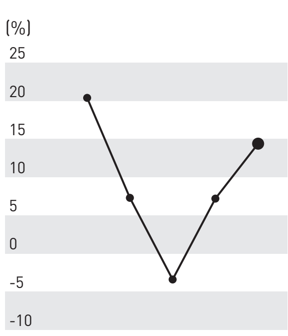
Cash Flow Analysis

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.

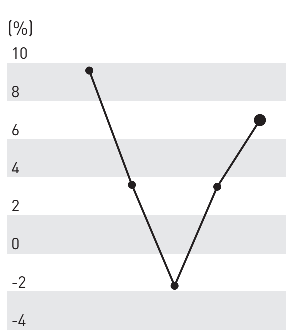
Net cash used in investing activities amounted to ¥49,145 million, due mainly to ¥35,773 million in expenditures for purchases of property, plant and equipment.

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

ROE
Years ended March 31



ROA
Years ended March 31



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).

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 intellection 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

	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

	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

	Thousands	Millions of Yen									
							Accumulated Other Comprehensive Income (Loss)				
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Total Equity
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)									
						Accumulated Other Comprehensive Income (Loss)				
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Total Equity
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			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2011				
Securities classified as:				
Available-for-sale:				
Equity securities	¥39,521	¥9,616	¥3,458	¥45,679
Total	¥39,521	¥9,616	¥3,458	¥45,679

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
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			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
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.

			Millions of Yen		Thousands of U.S. Dollars
	Issued in	Maturity	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										
Non-vested										
March 31, 2010—Outstanding										
Granted									66,800	
Canceled										
Vested									66,800	
March 31, 2011—Outstanding										
Vested										
March 31, 2010—Outstanding	34,000	48,000	136,000	145,000	99,000	26,100	117,900	68,100		
Vested									66,800	
Exercised	22,000	21,000	17,000	4,000						
Canceled										
March 31, 2011—Outstanding	12,000	27,000	119,000	141,000	99,000	26,100	117,900	68,100	66,800	
Exercise price	¥ 1,321	¥ 1,048	¥ 1,225	¥ 1,273	¥ 2,902	¥ 1	¥ 1	¥ 1	¥ 1	
Average stock price at exercise	¥ 1,693	¥ 1,670	¥ 1,669	¥ 1,750						
Fair value price at grant date					¥ 840	¥ 3,259	¥ 734	¥ 1,408	¥ 1,527	
For the year ended March 31, 2012										
Non-vested										
March 31, 2011—Outstanding										
Granted										99,700
Canceled										
Vested										99,700
March 31, 2012—Outstanding										
Vested										
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	¥72,252	**¥71,089**	**$864,938**
Deferred tax liabilities:			
Deferred gains on sales of property replaced	¥ 3,509	**¥ 2,878**	**$ 35,014**
Unrealized gain on available-for-sale securities	6,563	**6,604**	**80,351**
Other	2,163	**1,424**	**17,325**
Total	¥12,235	**¥10,906**	**$132,690**
Net deferred tax assets	¥60,017	**¥60,183**	**$732,248**

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	41.3%	**31.2%**

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	¥6,126	**¥7,915**	**$96,297**

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		
March 31, 2011	Carrying Amount	Fair Value	Unrealized Gain/Loss
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)

	Millions of Yen			Thousands of U.S. Dollars		
March 31, 2012	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	
March 31, 2011	Due in One Year or Less	Due after One Year through Five Years
Cash and cash equivalents	¥181,061	¥
Notes and accounts receivable	123,077	
Investment securities		
Available-for-sale securities with contractual maturities		0
Total	¥304,138	¥ 0

	Millions of Yen		Thousands of U.S. Dollars	
March 31, 2012	Due in One Year or Less	Due after One Year through Five Years	Due in One Year or Less	Due after One Year through Five Years
Cash and cash equivalents	**¥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			
	2011			
	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				¥(601)
Currency Option Contracts:				
Selling USD	¥ 1,661			
Option Premiums			¥ (4)	¥ (4)
Buying USD	1,661			
Option Premiums			3	3
Total				¥ (1)

	Millions of Yen				Thousands of U.S. Dollars			
	2012				**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	**¥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				**¥(855)**				**$10,404**
Currency Swap Contracts:								
Yen receipt,								
Brazil Real payment	**¥ 1,153**		**¥ 1**	**¥ 1**	**$ 14,028**		**$ 11**	**$ 11**
Total				**¥ 1**				**$ 11**

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:

March 31, 2011	Hedged Item	Millions of Yen Contract Amount	Millions of Yen Contract Amount Due after One Year	Millions of Yen Fair Value
Foreign currency forward contracts:				
Selling USD	Receivables	¥ 7,533		¥ (40)
Selling EUR	Receivables	30,282		(1,181)

March 31, 2012	Hedged Item	Millions of Yen Contract Amount	Millions of Yen Contract Amount Due after One Year	Millions of Yen Fair Value	Thousands of U.S. Dollars Contract Amount	Thousands of U.S. Dollars Contract Amount Due after One Year	Thousands of U.S. Dollars Fair Value
Foreign currency forward contracts:							
Selling USD	Receivables	**¥21,380**		**¥ (559)**	**$260,134**		**$ (6,802)**
Selling EUR	Receivables	**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.

March 31, 2011	Hedged Item	Millions of Yen Contract Amount	Millions of Yen Contract Amount Due after One Year
Interest rate swaps:			
(fixed-rate payment, floating rate receipt)	Long-term debt	¥3,200	¥3,200

March 31, 2012	Hedged Item	Millions of Yen Contract Amount	Millions of Yen Contract Amount Due after One Year	Thousands of U.S. Dollars Contract Amount	Thousands of U.S. Dollars Contract Amount Due after One Year
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 2012	Thousands of U.S. Dollars 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							
	Precision Equipment	Imaging Products	Instruments	Total	Other	Total	Reconciliations	Consolidated
For the year ended March 31, 2011								
Sales:								
Sales to external customers	¥208,614	¥596,929	¥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							
	Precision Equipment	Imaging Products	Instruments	Total	Other	Total	Reconciliations	Consolidated
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							
	Precision Equipment	Imaging Products	Instruments	Total	Other	Total	Reconciliations	Consolidated
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						
	Precision Equipment	Imaging Products	Instruments	Total	Other	Corporate or Eliminations	Total
For the year ended March 31, 2011							
Amortization of goodwill for the current fiscal year			¥ 1,582	¥ 1,582			¥ 1,582
Balance of goodwill at March 31, 2011			¥13,236	¥13,236			¥13,236

	Millions of Yen						
	Reportable Segments						
	Precision Equipment	Imaging Products	Instruments	Total	Other	Corporate or Eliminations	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						
	Precision Equipment	Imaging Products	Instruments	Total	Other	Corporate or Eliminations	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