




2013

ANNUAL REPORT
Year ended March 31, 2013



A photograph of a person in a red shirt and shorts climbing a steep, textured rock face. The climber is positioned on the right side of the frame, reaching up. The rock is light-colored with some darker streaks. The background is a clear blue sky. The overall image conveys a sense of challenge and achievement.

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

In the fiscal year ended March 2013, net sales rose 10% year on year to top one trillion yen for the first time, though earnings were down 36% for the period. Sluggish capital investment by manufacturers in the Precision Equipment Business, and a downturn in the market environment in the Imaging Products Business during the second half of the period, had a significant impact on performance. For the fiscal year ending March 2014, while harsh business conditions are likely to continue, Nikon will enhance its competitiveness, improve profitability, and further strengthen existing its businesses.

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

MAKING HEADWAY

CONTENTS

Our Philosophy

TRUSTWORTHINESS AND CREATIVITY

Our corporate philosophy of “Trustworthiness and Creativity”—simple words that are not easily put into practice. These important words represent unchanging principles to which we will always be dedicated.

Our Aspirations

MEETING NEEDS. EXCEEDING EXPECTATIONS.

“Our aspirations” mean not only to meet the needs of customers but also to provide customers with new value that exceeds their expectations.

“Meeting needs. Exceeding expectations.” is our vision for the future.

- **Providing customers with new value that exceeds their expectations.**
- **Sustaining growth through a break with the past and a passionate commitment by one and all.**
- **Maximizing our understanding of light to lead the way towards transformation and a new future.**
- **Maintaining integrity in order to contribute to social prosperity.**

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

The financial figures in this annual report have been rounded to the nearest unit (millions, billions, etc.).

AT A GLANCE

Precision Equipment

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



Market Trends

The market contracted as capital investment by manufacturers cooled for both IC and LCD steppers and scanners. We anticipate a recovery in market conditions for IC steppers and scanners from the second half of the fiscal year ending March 2014, and market expansion for LCD steppers and scanners, centered on 6th-generation plates.

AUGMENTING

Imaging Products

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



Market Trends

The compact digital camera market continues to shrink in the fiscal year ending March 2014. By contrast, we anticipate that the market for interchangeable lens-type digital cameras will continue to grow.

ADVANCING

Instruments

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



Market Trends

We expect harsh market conditions to continue in both the bioscience and industrial instruments fields. However, in the bioscience field we foresee a recovery in government spending, mainly in Japan, while in the industrial instruments field we anticipate continued expansion of Asian markets.

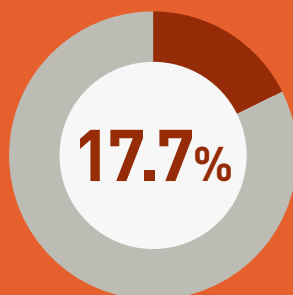
AMPLIFYING

Development of New Business

Nikon has chosen the field of health and medical-related areas as a new business domain, as it offers the potential for a synergistic benefit with our optics, image processing, precision control, and inspection technologies. Analysis and diagnostic support will be an area of particular focus, and we have begun laying the groundwork for basic research along several lines, including image analysis and diagnosis at the genetic and cellular

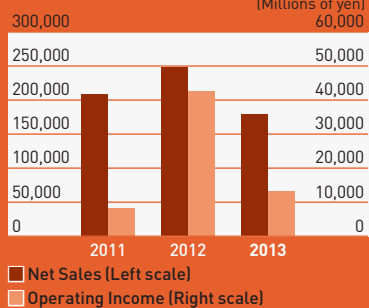
Share of Net Sales

Year ended March 31, 2013



Net Sales and Operating Income

Years ended March 31



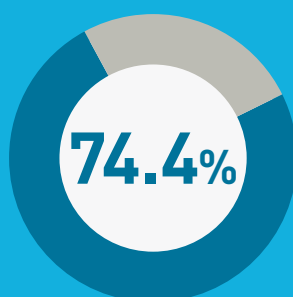
Objectives of the Medium Term Management Plan

- Increase earning power by reducing lead time and cost
- Expand market share for ArF immersion scanners
- Maintain the large market share for LCD steppers and scanners

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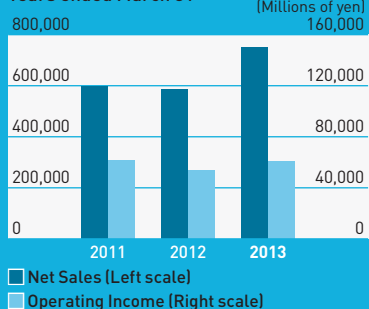
Share of Net Sales

Year ended March 31, 2013



Net Sales and Operating Income

Years ended March 31



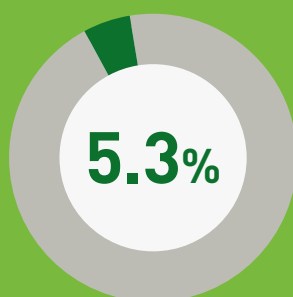
Objectives of the Medium Term Management Plan

- Successive launching of products that are clearly differentiated in terms of technologies and marketing capabilities
- Establish brand and secure leading positions in emerging nations
- Achieve 15% operating margin in the year ending March 2016

P15

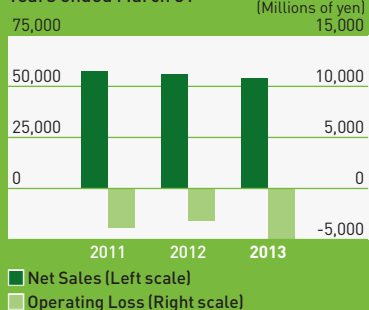
Share of Net Sales

Year ended March 31, 2013



Net Sales and Operating Income (Loss)

Years ended March 31



Objectives of the Medium Term Management Plan

- Increase sales to regain profitability
- Focus on emerging nations
- Bioscience—gain leading position in biological microscope field
- Industrial—gain leading position in non-contact metrology systems field

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levels, as well as the development of devices and systems to support appropriate treatment and drug discovery. We are moving forward with establishing a business structure and customer development, aiming for commercialization within the fiscal year ending March 2016. The target for the business scale is net sales of around ¥100 billion at some point in the future.

FINANCIAL HIGHLIGHTS

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31

	2004	2005	2006	2007	2008
For the year:					
Net sales	¥ 506,378	¥ 638,468	¥ 730,944	¥ 822,813	¥ 955,792
Cost of sales	346,898	429,143	468,944	494,663	551,551
Selling, general and administrative expenses	155,805	178,780	195,413	226,143	269,072
Operating income (loss)	3,675	30,545	66,587	102,007	135,169
EBITDA (Note 3)	23,888	50,250	87,347	124,632	160,847
Income (loss) before income taxes	9,490	33,443	40,925	87,813	116,704
Net income (loss)	2,410	24,141	28,945	54,825	75,484
Per share of common stock (yen and U.S. dollars) (Note 1):					
Basic net income (loss)	¥ 6.52	¥ 65.19	¥ 78.16	¥ 146.36	¥ 189.00
Diluted net income	6.02	57.84	69.33	131.42	181.23
Cash dividends applicable to the year	4.00	8.00	10.00	18.00	25.00
At year-end:					
Capital expenditures	¥ 22,267	¥ 22,459	¥ 25,817	¥ 30,432	¥ 39,829
Depreciation and amortization	20,213	19,705	20,760	22,625	25,678
R&D costs	30,165	33,561	37,139	47,218	58,373
Financial ratios (%):					
Equity ratio	28.2	30.9	35.2	46.5	47.9
ROE (Note 3)	1.4	13.1	13.2	18.5	20.4
ROA (Note 3)	0.4	3.9	4.4	7.6	9.6
At year-end:					
Total assets	¥ 606,513	¥ 633,426	¥ 690,920	¥ 748,939	¥ 820,622
Total equity	171,194	196,030	243,122	348,445	393,126
At year-end:					
Number of subsidiaries	46	46	47	49	48
Number of employees	13,636	16,758	18,725	22,705	25,342

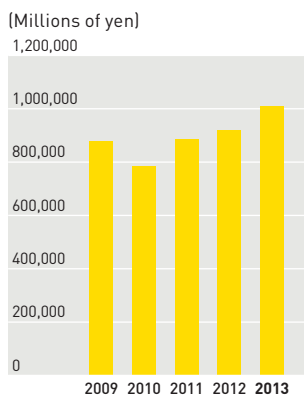
Notes: 1. Per share of common stock information is computed based on the weighted average number of shares outstanding during the year.

2. U.S. dollar figures are translated for reference only at ¥94.05 to U.S. \$1.00, the exchange rate at March 31, 2013.

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

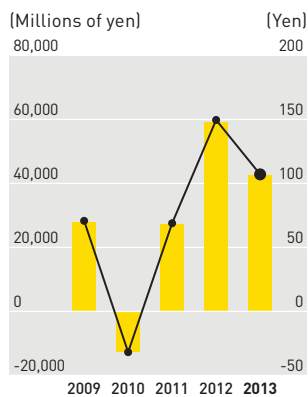
Net Sales

Years ended March 31



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

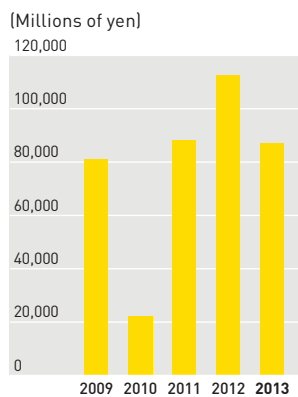
Years ended March 31



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

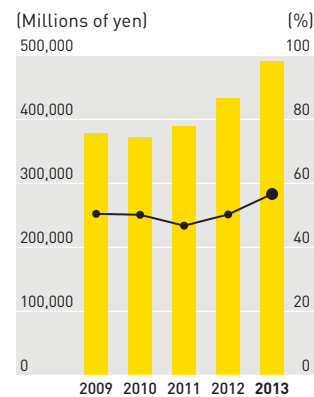
EBITDA

Years ended March 31



Total Equity and Equity Ratio

March 31

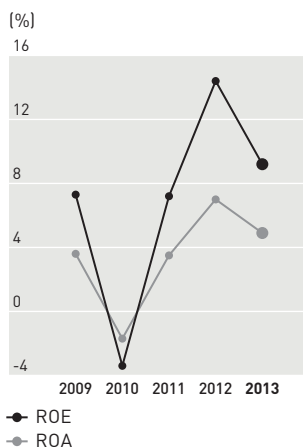


■ Total Equity (Left scale)
● Equity Ratio (Right scale)

				Millions of Yen	Thousands of U.S. Dollars (Note 2)	
2009	2010	2011	2012	2013	2013	2013 Highlights
¥ 879,719	¥ 785,499	¥ 887,513	¥ 918,652	¥ 1,010,494	\$ 10,744,221	Net Sales
561,642	552,409	575,536	567,000	663,509	7,054,858	UP 10.0%
269,892	246,944	257,924	271,571	295,983	3,147,081	Revenue increase in Imaging Products contributed to gain, with unit sales of interchangeable lens-type digital cameras rising amid deteriorating market conditions in the second half of the period.
48,185	(13,854)	54,053	80,081	51,002	542,282	
81,095	22,102	88,087	112,651	87,227	927,457	
39,180	(17,672)	46,506	86,168	61,857	657,700	
28,056	(12,615)	27,313	59,306	42,459	451,452	
						Operating Income
¥ 70.76	¥ (31.82)	¥ 68.90	¥ 149.57	¥ 107.07	\$ 1.14	DOWN 36.3%
67.91		68.83	149.41	106.92	1.14	Operating income was negatively affected by market contraction in Precision Equipment, and a deterioration in earnings in Imaging Products during the second half of the period.
18.00	8.00	19.00	38.00	31.00	0.33	
¥ 43,467	¥ 37,525	¥ 29,776	¥ 55,915	¥ 60,158	\$ 639,641	
32,910	35,956	34,034	32,570	36,226	385,174	
61,489	60,261	60,767	68,701	76,497	813,364	
¥ 749,805	¥ 740,632	¥ 829,909	¥ 860,230	¥ 865,020	\$ 9,197,448	
379,087	372,070	389,220	433,617	491,325	5,224,081	
						Annual Dividend
50.5	50.2	46.9	50.3	56.7		¥31 PER SHARE
7.3	(3.4)	7.2	14.4	9.2		Down ¥7 per share from the previous fiscal year.
3.6	(1.7)	3.5	7.0	4.9		
48	69	68	68	71		
23,759	26,125	24,409	24,348	24,047		

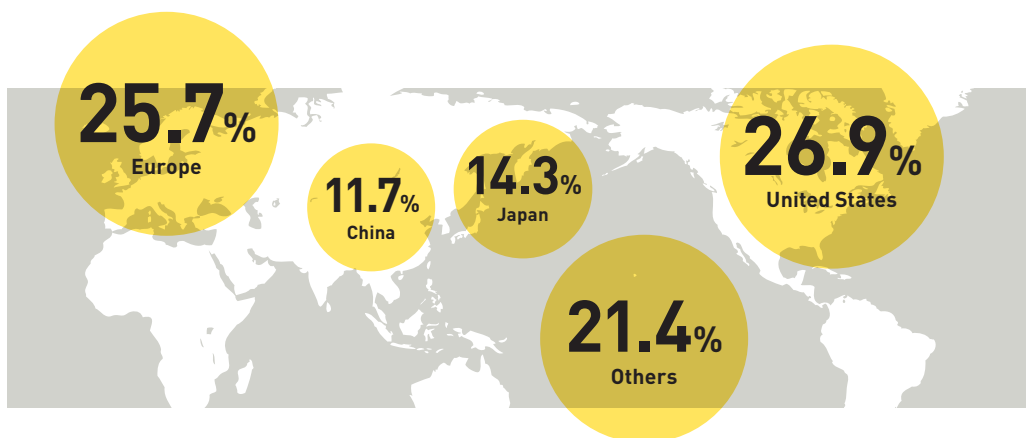
ROE and ROA

Years ended March 31



Geographic Sales

Year ended March 31, 2013



TO OUR SHAREHOLDERS AND INVESTORS

Have Firm Grasp on Changes, Aiming for Sustainable Growth

In the fiscal year ended March 2013, consolidated net sales—exceeding ¥1 trillion—were 10.0% higher than for the previous fiscal year. Nevertheless, we faced both a slump in capital investment by customers of the Precision Equipment Company, and deteriorating market conditions during the second half of the period in the Imaging Company. These factors harshly affected results, driving down consolidated operating income 36.3% year on year.

In the fiscal year ending March 2014, we thus will focus on building a robust operating structure able to respond swiftly to changes in the market environment, and aim to generate consolidated net sales of ¥1,110.0 billion and operating income of ¥85.0 billion. Further, we will cultivate new businesses in the field of health and medical-related areas as we strive for sustainable growth.



Makoto Kimura

MAKOTO KIMURA
Representative Director,
President, Member of the Board

Junichi Itoh

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

INTERVIEW WITH THE PRESIDENT

Despite increased net sales in the fiscal year ended March 2013, there was a large drop in operating income. What is your assessment of the operating performance for the period?

Our results for last fiscal year show that we still have some important challenges to overcome. This is particularly highlighted by the contrast between growing net sales and falling operating income.

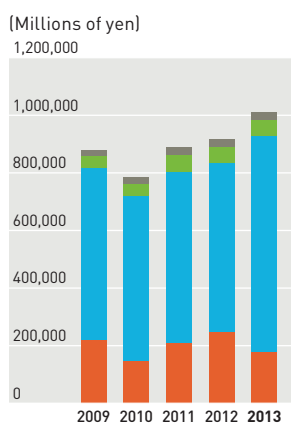
However, I believe it is significant that we recorded more than ¥1 trillion in net sales—a timely reminder of the many customers who choose to purchase Nikon products. In my view, the large decrease in operating income is a manifestation of the challenges we face in our responsiveness to market changes as well as in our business operations. We already have initiated a range of measures to resolve these issues.

In the fiscal year ending March 2014, you project net sales growth of 9.8% year on year and a 66.7% year-on-year jump in operating income. What do you perceive as necessary to realize these targets?

I believe that each business has its own specific focus points. In the Precision Equipment Company, a recovery in the willingness of semiconductor manufacturers to invest in equipment is vital. While in the fiscal year ending March 2014, we expect capital investment to pick up in the second half, it is the extent of any such increase that is crucial. In the area of LCD steppers and scanners, we are just beginning to see signs of a recovery in generally stagnant large-screen television-related equipment demand, and will pay close attention to how this latent recovery develops. In the Imaging Company, I believe it is essential that we grasp the marketplace changes, such as how far the compact digital camera market is likely to shrink and the interchangeable lens-type digital camera market to grow. In the Instruments Company, our key

Sales by Business Segment

Years ended March 31



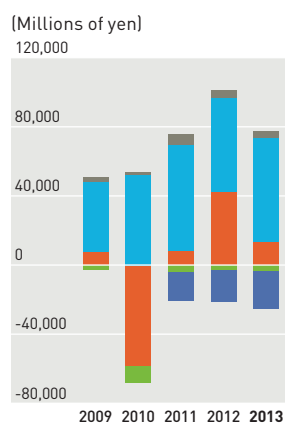
■ Precision Equipment
 ■ Imaging Products
 ■ Instruments
 ■ Other
 ■ Corporate Expenses

Notes:

- The "Other" segment comprises businesses not included in reportable segments, such as the glass-related business and customized products business.
- Beginning with the fiscal year ended March 2012, we have revised our method of corporate expenses. For purposes of comparison, operating income for the fiscal year ended March 2011 has been revised using the new standard. The year-on-year change for the fiscal year ended March 2012 has been calculated based on the revised figure for the previous fiscal year. For the two fiscal years between April 1, 2009 and March 31, 2010, operating income (loss) was based on the old method.

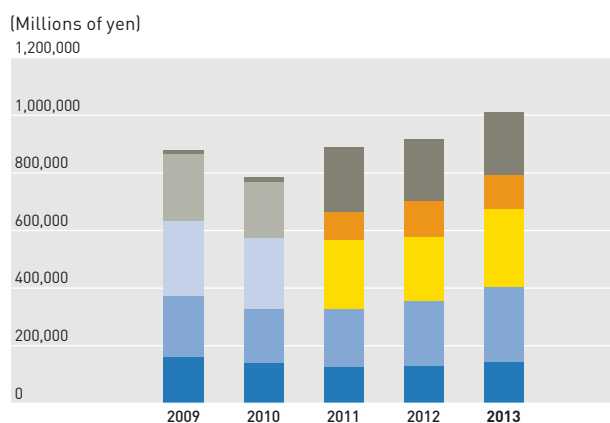
Operating Income (Loss) by Business Segment

Years ended March 31



Sales by Region

Years ended March 31



■ Japan
 ■ Europe
 ■ United States
 ■ North America
 ■ China
 ■ Asia-Oceania
 ■ Other

Notes:

- The classifications for North America and Asia were changed in the fiscal year ended March 31, 2011.
- For the two fiscal years between April 1, 2009 and March 31, 2010, Australia was added to the "Asia" classification, which was changed to "Asia-Oceania."



challenge is how to expand sales in the fast-growing emerging markets.

It is clear that in each business there are many factors conducive to growth, and our main challenge is whether we are able to fully capture these growth opportunities.

Nikon's Medium Term Management Plan, announced in May 2013, identifies three priority tasks to strengthen existing businesses. Please summarize what this entails.

The three priority tasks—reducing costs, bolstering supply-chain management and launching differentiated products—are similar to measures on which we have focused previously. Our existing businesses retain growth potential which, if reinforced, will enable the businesses to generate cash that can be invested in new businesses.

To improve profitability, it is essential that we reduce costs. We are pursuing this objective by establishing a product development platform, enhancing productivity and reforming our procurement system.

Our efforts to bolster supply chain management include speeding up all processes, from component procurement to development, production and logistics. We are also striving to eliminate operational inefficiencies, so as to create a resilient operating structure. Thus, although in the Precision Equipment Company we have halved the production lead time—from twelve to six months—we are pursuing a further reduction so that we may be even more flexible in responding to demand trends.

To improve earnings, we must not only reduce costs, but also increase the appeal of our products, and the degree to which they are differentiated. We are less likely to succeed in developing differentiated products, if we only improve the functions and performance of existing equipment. I want Nikon to develop products based on new concepts that raise the bar considerably.

We have grappled with these challenges for almost 10 years, yet I want the entire Group to again push forward with renewed vigor.

Major Challenges (Fiscal years ending March 2014 to 2016)

1. Strengthening of existing businesses

•Cost reductions •Better supply chain management (SCM) •Product differentiation

2. Promotion of new business development

How is each internal company working to strengthen existing businesses?

In the Precision Equipment Company, although IC stepper and scanner business has faced harsh conditions for years, our performance advancements in ArF immersion scanners give us, I believe, the opportunity to recapture market share. We have set a target of achieving a minimum of 30% market share for ArF immersion scanners, and reaching this goal will enable us to lay the groundwork for restoring the IC stepper and scanner business to a sound footing. In next-generation equipment, developments related to ArF immersion scanners for 450 mm wafers are expected. Although more than five years have passed since extreme ultraviolet lithography (EUVL) was first touted as the most promising technology for next-generation equipment, EUVL development has not proceeded as planned. Semiconductor manufacturers thus are beginning to consider utilizing equipment to handle 450 mm wafers. This is in line with the roadmap we drew up previously, and makes it even more important to be on schedule with developing our equipment for 450 mm wafers. Meanwhile, in the LCD stepper and scanner business, we are in an extremely strong position. At a time when the trend to produce higher-definition equipment is expected to gain momentum, our product development will enable us not only to maintain, but to reinforce our market lead.

For the Imaging Company, it is crucial that we determine how best to adapt our strategies in response to market changes, particularly in terms of new products and product lineups. The rapid penetration of smartphones is causing

the compact digital camera market to shrink. Previously, cameras and smart devices were not direct competitors. However, in the current market structure in which these products are competing, we must examine closely the concepts on which our compact digital camera offerings should be based. Thus, when it comes to interchangeable lens-type digital cameras, we need to question our ability to offer truly innovative functions and performance. Another essential element is cost reduction. Since the Imaging Company produces a very high volume of products, it could be considered a low-margin, high-turnover business. Bearing this in mind, we will review all business processes, and focus on whether we can realize even greater cost reductions.

The principle task of the Instruments Company is expanding segment sales. In recent years, although operating losses have risen, we have viewed this as up-front investment, essential for business development over the long term. Since market conditions have been less than favorable, leading to increased segment operating losses, we have continued to pursue broad investments, covering aspects from development to sales and including the 2009 acquisition of a Belgian measuring equipment manufacturer. As we work to capture a leading position, from the fiscal year ending March 2014 we plan to launch new products, including non-contact three-dimensional (3D) measurement systems for the industrial instruments market. The Instruments Company has adequate potential to achieve profitability if sales are increased, and I believe that we will take the first steps toward this goal during the fiscal year ending March 2014.

BUILDING RESILIENCE

Another essential element of the Medium Term Management Plan is new business. Could you provide an overview of this?

While the main target for new business is the field of health and medical-related areas, the plan makes clear our intention to focus particularly on the areas of diagnosis and analysis. Yet, even within this focus area, the projects we are pursuing cover a broad spectrum of development stages. Some projects need to begin with basic technology development, while others—although somewhat advanced in terms of technology development—are at the stage of analyzing the steps needed to engage the potential market. We anticipate that the earliest products to be launched will generate a certain level of sales by the fiscal year ending March 2016, while those requiring the longest lead time may take a further five years to reach commercialization.

We expect the medical field to undergo significant changes, particularly as we hear many domestic and overseas government officials say that the rapid rise in healthcare costs is leading to a serious situation. We want to help alleviate this situation by developing new methods of diagnosis and analysis that can contribute to the provision of efficient medical treatment. By leveraging Nikon's technologies—optics, precision control, image processing and inspection—we plan to cultivate new businesses based on a theme of developing equipment and

systems in such areas as image analysis and diagnostic support at the genetic and cellular levels, and support for appropriate treatments and new drug development.

Nikon's CSR-related policy states, "We recognize the importance of CSR and will contribute to the sustainable development of society." Please summarize what this involves.

We believe that, as a company, we contribute to the development of society through our steady growth and creation of value. Nikon is involved in business activities worldwide, and we maintain facilities and offices in a large number of countries. I want the Nikon Group to become firmly rooted in each of the communities in which we operate. By becoming an integral part of those communities, we will be able to contribute more to those societies. This is one of the reasons that it is so important for the Nikon Group to become more international as an organization, and to pursue a localization strategy. Another core factor of corporate social responsibility policy is our duty to humanity and the environment. The pursuit of profit alone will ultimately lead to failure. Hence, we conduct our business activities based on the premise that we must maintain harmony with society.

Consolidated Financial Targets

Years ended/ending March 31

(Billions of yen)	2013 (Actual)	2014	2016
Net Sales	1,010.4	1,110.0	1,300.0
Operating Income	51.0	85.0	170.0
Net Income	42.4	65.0	110.0

Assumed Exchange Rates
 2013 U.S.\$1 = ¥83 1 euro = ¥107
 2014 U.S.\$1 = ¥95 1 euro = ¥125
 2016 U.S.\$1 = ¥95 1 euro = ¥125
 [Announced on May 9, 2013]

In a move to internationalize the Group, in 2012 Nikon established the Global Human Resources Development Section. Please explain the background and goals of this initiative.

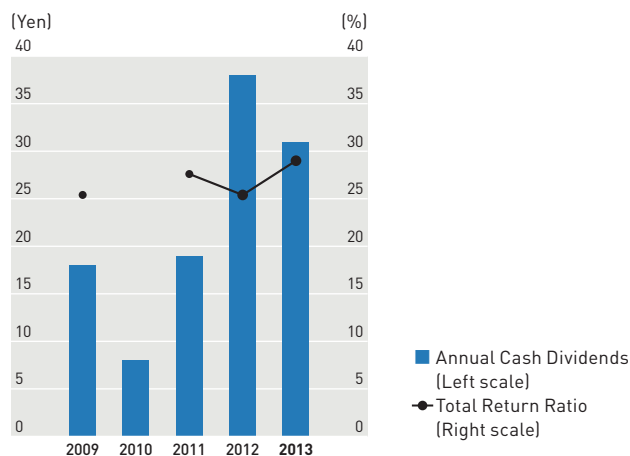
Worldwide, the Nikon Group has more than 24,000 employees, while 60% of our employees are citizens of countries other than Japan. Overseas employees are involved in a diverse array of business operations, from production to sales, and we believe that it is essential for them to gain a strong understanding of Nikon and the Nikon brand, and to develop an affinity with the Nikon Group.

I believe that the Nikon Group will continue to develop new markets centering on emerging countries and that, as a result of this process, our organization will become much stronger if we all share a common awareness of what the Nikon brand means. For this reason, we are focusing our training programs on Nikon's DNA.

In March 2013, we also established the Nikon Group HR Vision, which defines the core competencies Nikon seeks from its employees, and this vision was shared with all staff worldwide. To enable the Nikon Group to realize sustainable growth, through the activities of the Global Human Resources Development Section, we aim to create an organization in which all employees can attain their full potential.

Annual Cash Dividends and Total Return Ratio

Years ended March 31



In closing, are there any other points you wish to make to shareholders and investors, such as regarding your position on shareholder return?

Shareholder return is based on our previously stated policy of "expanding investment in business and technology development to ensure future growth, taking steps to enhance competitiveness, and paying a steady dividend that reflects the perspective of shareholders, while making continual adjustments to better reflect operating performance." Accordingly, we have set a target for a total return ratio of 25% or more, to be achieved through dividends and the buyback of stock.

Although the fiscal year ended March 2013 saw a large decline in profits, we are committed to improving our profitability by transforming our operating structure and strengthening our existing businesses. Combined with aggressive new business development, these efforts are focused on creating a group with high growth potential. We look forward to the continued understanding and support of our investors as we pursue these goals.



REVIEW OF OPERATIONS

By the fiscal year ending March 2016, Nikon is seeking to capture a 30% share of the market for immersion scanners, as well as to regain its leading position in that market. In the area of LCD scanners, we are building a production structure able to adapt flexibly to fluctuations in demand, reflecting the anticipated recovery in investment in large-scale panels.

Review of the Fiscal Year Ended March 2013

For the fiscal year ended March 2013, there was a sharp decline in both net sales and operating income, particularly for IC steppers and scanners business. This was due to the scaling back of capital investment by manufacturers of IC devices and LCD panels.

Sales of IC steppers and scanners totaled just 40 units (including refurbished equipment), less than half the 84 units that had been sold in the fiscal year ended March 2012. This is the result of curbs placed on investment by device manufacturers amid low prices for memory, and sluggish PC sales. Nevertheless, we managed to sell 21 units of our high-end ArF and ArF immersion scanners, the same number as in the fiscal year ended March 2012. We also launched the latest model of ArF immersion scanner, the top-of-the-line NSR-S622D, for which we received several orders. A purchase request for this scanner even came from a new customer, while



KAZUO USHIDA

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

PRECISION EQUIPMENT
COMPANY

SHARPENING THE EDGE

Highlights of the Fiscal Year Ended March 2013

- Net sales ¥179,013 million (down 27.9% year on year)
- Operating income ¥13,090 million (down 69.4% year on year)
- Market contracted for both IC steppers and scanners and LCD scanners
- Orders received for prototype ArF immersion scanners for 450 mm wafers

17.7%
Share of Net Sales
Year ended
March 31, 2013

we received positive feedback on the system's performance at the Kumagaya Plant. We thus believe that we have a foothold that will enable us to develop an offensive business strategy.

Meanwhile, in the area of LCD scanners, there was a rise in sales of 5th- and 6th-generation systems for small to medium-sized high-definition panels. The 38 units sold, up from the 32 in the fiscal year ended March 2012, were an indication of the continued firm market for smartphones and tablet computers. By contrast, Nikon sold just one system in the 7th generation and beyond, compared with 17 units sold in the fiscal year ended March 2012, since prices for large-screen televisions remained low. Be that as it may, Nikon managed to maintain its 80% market share for LCD scanners.

Next-generation ArF Immersion Scanners for 450 mm Wafers Give Nikon an Advantage over the Competition

We expect the harsh market conditions for IC steppers and scanners to continue through the first half of 2013 and, for the market as a whole,

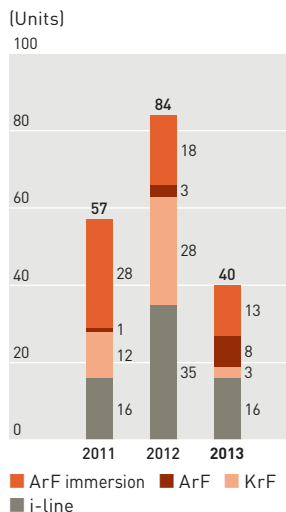
full-year unit sales to decline to around 200 units from 222 units in 2012. However, we foresee a resumption in capital investments among semiconductor manufacturers from the second half of 2013, and so expect a recovery in sales to around 230 units by the fiscal year ending March 2016. For the fiscal year ending March 2014, we expect Nikon's sales to increase from 40 units (including refurbished equipment) in the fiscal year ended March 2013, as a result of greater product competitiveness and other factors.

Product competitiveness is key to boosting sales of IC steppers and scanners, for which reason it is important to focus on three aspects of their performance: higher resolution, overlay accuracy and throughput. Nikon's leading ArF immersion scanners already surpass competing systems in several aspects of their performance. By exploiting this advantage, we hope to increase to 30% our share of the market for ArF immersion scanners by the fiscal year ending March 2016.

This 30% goal is a step on our way to the position of industry leader. Beyond that we are preparing for a transition to next-generation systems for 450 mm wafers. At the start of calendar year 2013, Nikon received its first formal order for a prototype ArF immersion scanner for 450 mm wafers. Further, in July 2013 we announced the receipt of an order for this prototype scanner from the U.S. research

IC Steppers and Scanners, Unit Sales by Technology

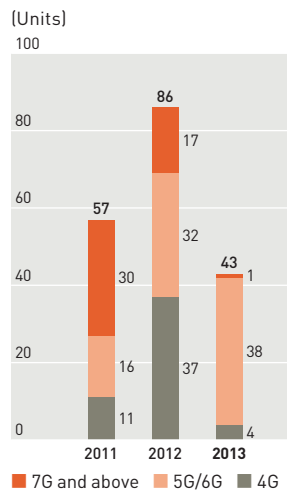
Years ended March 31



Note:
Unit sales figures for the fiscal year ended March 2011 is for new products only. Figures from the fiscal year ended March 2012 include refurbished equipment.

LCD Steppers and Scanners, Unit Sales by Generation

Years ended March 31



ArF Immersion Scanner
NSR-S622D

institution Global 450 Consortium. We plan to begin shipments of this prototype at the start of calendar 2015, and to start shipments of mass-production models in calendar 2017, about a year ahead of the competition. By drawing on this advantage, we hope to quickly regain our position as the company with the top market share.

Tapping Large-screen Television Investment Recovery to Boost LCD Scanner Sales

In the LCD scanner market, we anticipate continued brisk investment for small to medium-sized high-definition panels. In the second half of calendar 2013, meanwhile, we expect to see signs that investment in large-screen televisions is recovering. For the market as a whole, we foresee sales in 2013 increasing to around 80 units, compared to 66 in 2012. Then, for the fiscal year ending March 2014, we expect increases in Nikon's sales of 5th- and 6th-generation systems for small to medium-sized high-definition panels, as well as systems in the 7th generation and beyond for large-screen televisions.

In addition, we expect investment to accelerate in the first half of 2014, to cope with an anticipated shortfall in production capacity for large-screen television panels in the second half of calendar 2014.

Nikon's LCD scanners employ a unique multi-lens system comprising an array of high-precision lenses for exposure of a broad area, providing

optimal performance to efficiently manufacture large, high-definition panels. This system can be flexibly adapted to different plate sizes, and is incorporated in systems for small to medium-sized high definition panels, demonstrating its exceptional performance.

Much interest has been generated lately in creating high-value-added, next-generation, high-definition televisions with 4K2K or 8K4K displays. We expect that, were a market for these products to be established, it would be to Nikon's advantage, considering our technical strengths in the field. Thus, we are seeking to increase our current 80% market share.

Return to the Basics of Manufacturing; Strengthen Product, Price Competitiveness

We foresee continued growth in the market for IC and LCD panels, as the user base expands to reflect falling prices. With sharp shifts between boom and bust characterizing this market, the Precision Equipment Company is responding to falling prices and market fluctuations by lowering its break-even point, and devising a business structure able to generate earnings even as the market contracts. We thus must take steps to prioritize cost reductions and shorten production lead time, while also bearing in mind the importance of enhancing our product innovativeness.

The fiscal year ending March 2014 will be when, amid a harsh operating environment, we sow the seeds to establish our revised business structure. We plan to return to manufacturing basics, enhance product and price competitiveness, and strengthen our business structure so that, in time, our efforts might bear fruit.



LCD Scanner
FX-67S

REVIEW OF OPERATIONS

Nikon will work to increase the earnings of interchangeable lens-type digital cameras by both strengthening its product lineup and bringing distinctive products to market. In the area of compact digital cameras, we will ensure profitability, while further securing our position as a major player in the market. We aim to achieve an operating profit margin of 15% in the fiscal year ending March 2016.

Review of the Fiscal Year Ended March 2013

Market conditions began to deteriorate in late November 2012. This had a negative impact on earning capacity in the second half of the fiscal year ended March 2013, although net sales during the period rose sharply to a record high of well over ¥600 billion, with year-on-year gains in operating income.

During the first half of the period, our overall business performance—including revenue, earnings and market share—had been steady. Thus we found the timing of the deteriorating market particularly bad, as we had temporarily increased product inventory in order to mitigate the risk of any adverse effects of the flooding in Thailand, and to prepare for the year-end shopping season. Unfortunately, as market conditions worsened and retail prices fell, particularly affecting entry-model digital SLR cameras, we faced a serious decline in profitability. This has served as an important lesson for us.



YASUYUKI OKAMOTO

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

IMAGING COMPANY LEADING THE MARKET

Highlights of the Fiscal Year Ended March 2013

- Net sales, ¥751,241 million (up 28.0% year on year)
- Operating income, ¥60,711 million (up 12.5% year on year)
- Earnings from interchangeable lens-type digital cameras came under pressure from deteriorating market conditions
- Unit sales of compact digital cameras were on a par with the previous fiscal year, despite the shrinking market

74.4%
Share of Net Sales
Year ended
March 31, 2013

In the area of interchangeable lens-type digital cameras, we recorded good sales of such digital SLR models as the high-end D800 camera. Meanwhile, the Nikon 1 interchangeable lens-type advanced digital camera struggled slightly as the market for non-reflex digital cameras failed to grow to the extent that we had anticipated. Nevertheless, Nikon managed to secure the second-highest market share worldwide, with a stake of more than 20%. We believe that this has placed us in an advantageous position.

Unit sales of Nikon's compact digital cameras remained on a par with those of the previous fiscal year, despite the more than 30% contraction of the huge market for compact digital cameras. We believe that this gave us a leading market share worldwide for the first time. We credit our success to strong product capabilities that reflect feedback from customers, pull marketing that makes effective use of advertising, and an enhanced marketing mix that includes effective sales capabilities.

Interchangeable Lens-type Digital Cameras: Distinctive Products, Better Earnings

We expect the market for interchangeable lens-type

digital cameras to continue expanding in the fiscal year ending March 2014, with particularly strong growth in non-reflex digital cameras.

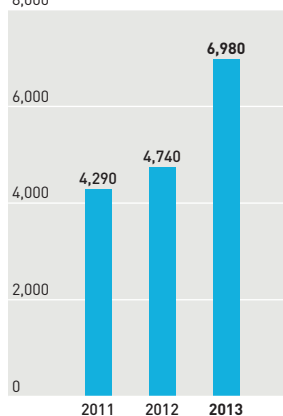
Drawing on lessons learned from the diminished profitability of the fiscal year ended March 2013, Nikon will focus on sales of high-margin new digital SLR cameras. At the same time, we will reduce manufacturing costs—through cutbacks in the procurement division and improvements in the upstream design process—to lower costs. Further, Nikon will bring distinctive new products to market, and strengthen its product lineup for the FX and DX formats. Our Medium Term Management Plan target is to gain a market share of between 40% and 45% by the fiscal year ending March 2016.

We already have unwavering confidence in such aspects of our interchangeable lens-type advanced digital cameras as their small size, light weight and autofocus speed. Thus, we plan to focus our development strategy on offering customers new dimensions in everything from design to use, while at the same time enhancing profitability. We aim to increase our market share to between 25% and 30% by the fiscal year ending March 2016.

Unit Sales of Interchangeable Lens-type Digital Cameras

Years ended March 31

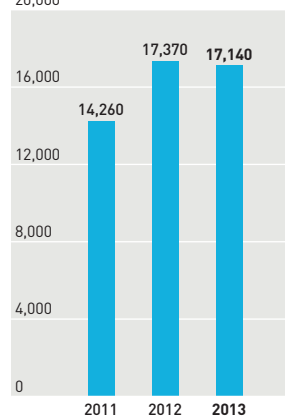
(Thousands of units)
8,000



Unit Sales of Compact Digital Cameras

Years ended March 31

(Thousands of units)
20,000



Digital SLR Camera
Nikon D800

Compact Digital Cameras: Enhance Brand Power, Maintain Full Lineup Strategy

We anticipate negative growth in the fiscal year ending March 2014, due to the growing use of smartphones with camera functions. Over the long term, we see the smartphone market expansion as an opportunity: many people become more interested in photography once they start taking pictures with smartphones.

Nikon plans to secure continued profitability by pursuing earnings-oriented strategies for compact digital cameras. We will implement a flexible product lineup strategy to match market scale and characteristics, and strengthen our position as a major player in the market. Under our Medium Term Management Plan, we aim to achieve a 25% to 30% share of the market by the fiscal year ending March 2016. We believe that compact digital cameras play an important role in enhancing the value of the Nikon brand and, during the fiscal year ended March 2013, made great strides in expanding the Nikon brand. We focused particularly on those markets for compact digital cameras in which our position had been considered weak, such as Central and South America, the Middle East, and certain countries in Asia. This helped to expand our overall market share. Since emerging countries are also potential markets, we will continue to take steps to expand our brand there.

Nikon offers compact digital cameras that are distinct from the lineups of competitors. We

offer models that parents and children can enjoy together, waterproof outdoor models, ultra-high ratio zoom models, and high-end models that incorporate a DX format CMOS sensor. While formulating product development plans from a profitability perspective, we will continue to bring attractive new products to market as part of our full lineup strategy.

Fiscal Year Ending March 2016: Enhanced Market Position, Operating Profit Margin of 15%

For its new Medium Term Management Plan goal, the Imaging Company is aiming for an operating profit margin of 15% by the fiscal year ending March 2016. As the first step, we are determined to achieve a double-digit operating profit margin for the fiscal year ending March 2014. To this end, the Company will make every effort to implement reforms from the upstream design process, expand the adoption of platforms, enhance the level of manufacturing capability, and further strengthen our marketing structure.

Nikon's position in the camera market, its brand image, as well as its product development and sales capabilities have unquestionably reached record high levels. We will continue to focus on market trends and to function as a team, faithfully implementing initiatives to achieve our goals.



Interchangeable Lens-type
Advanced Digital Camera
Nikon 1 J3



Compact Digital Camera
COOLPIX A


TOSHIYUKI MASAI

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

**INSTRUMENTS
COMPANY**
EXPANDING
THE NETWORK

REVIEW OF OPERATIONS

In bioscience, Nikon is taking advantage of live cell imaging and other leading-edge technologies to pioneer new fields and expand its business operations. We will also acquire a leading position in the industrial instruments field with differentiated products for both non-contact metrology and X-ray inspection systems.

Review of the Fiscal Year Ended March 2013

Net sales declined slightly in the fiscal year ended March 2013, while the operating loss increased as a result of the rising value of the yen during the first half of the period, and a market downturn in the second half resulted in curbs being placed on capital expenditures, as well as continued shrinking public spending and project delays.

Throughout the entire fiscal year we faced unprecedented difficulties, as a result of the simultaneous deterioration of the bioscience and industrial instruments markets. Despite that, however, we were able to increase our market share in both areas, because of earlier investment aimed at business expansion. The next-generation products that contributed to the increased market share include bioscience-related high-end system products, and industrial instruments-related non-contact 3D measuring instruments.

Highlights of the Fiscal Year Ended March 2013

- Net sales ¥53,877 million (down 3.8% year on year)
- Operating loss of ¥4,978 million (operating loss of ¥3,166 million in the previous fiscal year)
- Bioscience—increase in market share amid shrinking public spending
- Industrial instruments—increase in sales of non-contact 3D measurement systems amid cutbacks in capital expenditures

Hastening Advance of Live Cell Imaging, Other Leading Bioscience Technologies

The bioscience market in the fiscal year ended March 2013 was severely affected by shrinking public spending and project delays, mainly in Japan and the United States. However, we expect a shift in the market to gentle growth in the fiscal year ending March 2014. We plan to take full advantage of this opportunity to expand our market share, mainly in Japan and China; increase revenues; improve our operating income by lowering production costs; and effectively utilize resources to bring down the SG&A ratio.

Specifically, we will prioritize development spending for products with growth potential, while fully utilizing existing personnel and expanding our workforce in China and other promising growth markets.

Currently attracting attention in the bioscience market are uses to which induced pluripotent stem (iPS) cells and embryonic stem (ES) cells might be put. An important aspect of developing potential uses is the cultivation and observation of living cells. This requires advanced techniques that make possible the stable cultivation of cells, and the accurate determination of which cells are true and which are bad quality iPS cell colonies.

We believe that Nikon's live cell imaging technology will make a substantial contribution to enhancing the

efficiency of this process. Our BioStation CT system allows for the stable cultivation of cells, along with automated observation and recording. The system is widely used in the world's leading research laboratories, including Kyoto University's Center for iPS Cell Research and Application, headed by Dr. Shinya Yamanaka, who was awarded the Nobel Prize in Physiology or Medicine in 2012.

We plan to further accelerate development of live cell imaging technologies beyond simply observing through imaging, and to achieve technological innovations in automated processes for measurement, analysis and determination. We will pioneer new areas of business, such as support for drug development and medicine, and expand into the markets for diagnostic and laboratory instruments.

In addition, we intend to improve earnings by expanding the scope of our business, from simple hardware sales to such system products as software and services. To this end, we will strengthen that part of our structure related to the direct sale of advanced research products.

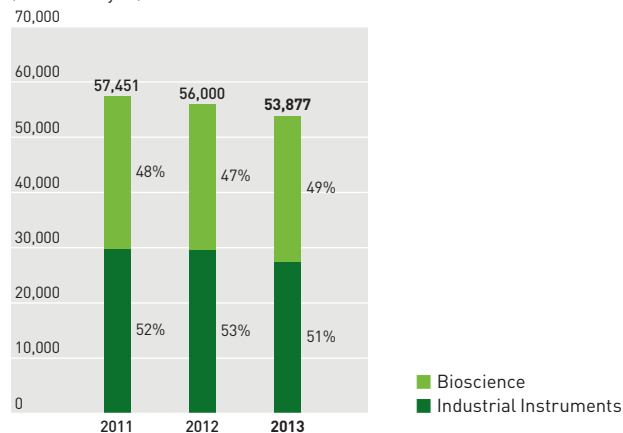
In the area of products for general research and clinical use, we will broaden our sales channels in Japan and emerging markets, enhancing Nikon's competitiveness through cost reductions right from the design and production stages.

5.3%
Share of Net Sales
Year ended
March 31, 2013

Sales by Category

Years ended March 31

(Millions of yen)



Seeking Lead in Non-contact Measuring, X-ray Inspection Instruments

In the industrial instruments market, during the first half of the fiscal year ending March 2014 we expect the effects of last fiscal year's harsh business environment to linger for semiconductors and electronic components. In the second half, however, we see conditions starting to recover.

In the area of mechanical systems, such as automobiles and aircraft, we anticipate stable growth throughout the fiscal year ending March 2014, although the pace of growth will be sluggish compared with that of last fiscal year.

Given the expected environment, Nikon is already strengthening its product lineup for the fiscal year ending March 2014 in the promising fields of non-contact measurement and X-ray inspection systems. In the area of two-dimensional (2D) measurement systems—and with a view to gaining an overall leading share of the image measuring instruments market—we will launch new models of the next-generation NEXIV VMZ-R series. In addition, we plan to introduce the NEXIV VMA series, a low-priced basic-level line targeting Asian markets.

Meanwhile, we will use Nikon's non-contact 3D scanner technology, which can quickly compile large quantities of point groups, for our non-contact 3D measurement systems. At the same time, we plan to market new models compatible with profilometry, the latest trend in 3D measurement. In the area of

X-ray inspection systems, commencing in the second half of the fiscal year ending March 2014, we plan to introduce distinctive new products such as Metrology CT, which allows the internal dimensions of minute electronic and industrial components to be measured without causing damage.

In conjunction with this expansion of our product lineup, we are revising existing personnel assignments, and strengthening our sales structure in Asia. Further, we will focus on the automobile, aircraft, smartphone, and tablet computer markets with growth potential.

Nikon plans to form new markets in the area of industrial instruments, by concentrating on products for new areas of non-contact measurement and X-ray inspection systems. At the same time, we will strengthen our Asian sales structure and, to expand sales of more advanced products, we will reinforce our technical sales department in order to gain a leading position in the market.

"Challenge the Opportunity," "Move Forward"

Nikon offers a wide range of attractive products in the areas of bioscience and industrial instruments. From basic models to advanced systems, we assist customers on the front lines of their business operations. We are also working to build a service structure that will ensure quality customer service.

While the fiscal year ended March 2013 was extremely challenging, the Instruments Company will continue its efforts to expand business operations and improve earnings. To do so, we must simultaneously: 1) offer more competitive products; 2) enhance cost competitiveness; and 3) have a greater market share.

In terms of product and market development, we will tap our resources and, under the slogans of "challenge the opportunity" and "move forward," we shall make a concerted effort to enhance our market presence.



CNC Video Measuring System
NEXIV VMZ-R4540

FOCUS

Enhancing Development of Global Human Resources to Achieve Sustainable Growth

The globalization of the business environment is accelerating. To ensure sustainable growth for the Nikon Group, it is important for us to create an environment in which each and every employee is able to demonstrate their abilities, and to convert these individual strengths into corporate strength. Nikon has launched a series of global initiatives and activities to accomplish this goal.



KENICHI KANAZAWA

Director, Member of the Board & Executive Officer
President of Business Administration Center

Establishment of Global Human Resources Development Section

Overseas sales account for 86%¹ of the Nikon Group's revenues. Many operations, including production and sales, are conducted outside Japan, and 60% of the Nikon Group's 24,047 employees¹ are citizens of countries other than Japan. Nevertheless, management and other key functions are centered on Japan, and unless we are able

to efficiently bring out the strengths of employees in overseas locations, and establish a structure that allows them to play a more

active role, we will not grow as a company. With this in mind, through extensive discussion by a project team, we have clarified the stance to which the Nikon Group should aspire. It is one in which "personnel who share the Nikon DNA, regardless of nationality or gender, are promoted and engaged." In June 2012, the Global Human Resources Development Section was established within the Human Resources Department at the Business Administration Center in order to develop the frameworks to make this possible.

1. Figures for the proportion of overseas sales and employees are for the fiscal year ended March 2013.

Strengthening Ties among Human Resources Stakeholders, and Nikon DNA Training

Under this new organizational structure, Nikon held a Global HR² Meeting to establish a network among human resources stakeholders worldwide. By strengthening ties among human resources departments, we are developing the infrastructure to globalize human resources functions and cultivate global human resources. In addition, to define the type of personnel we are seeking, we established the "Nikon Group HR Vision" and shared it with all our employees.

The interaction with employees in overseas offices revealed that these employees have a strong desire to know more about Nikon and the Nikon brand. The majority of overseas employees work in subsidiaries of Nikon's internal companies, such as the Precision Equipment Company and the Imaging Company. They have few opportunities to consider the situation outside their own company, or the Nikon identity and brand. In response, Nikon initiated a program of "Nikon DNA education," centered on the Global Human Resources Development Section. Our aim is to share, with employees throughout the world, the history of Nikon, which will mark its centenary in 2017, as well as our longstanding corporate philosophy of "Trustworthiness and Creativity." In doing so, we aim to foster a sense of unity.

2. HR stands for human resources.



Goals

One of our primary goals is to continually nurture people who can exercise leadership from a global perspective. To cultivate such leaders, we are working both to enhance people's ability to embrace diversity, and to refine technical expertise by using "Nikon DNA" as the starting point.

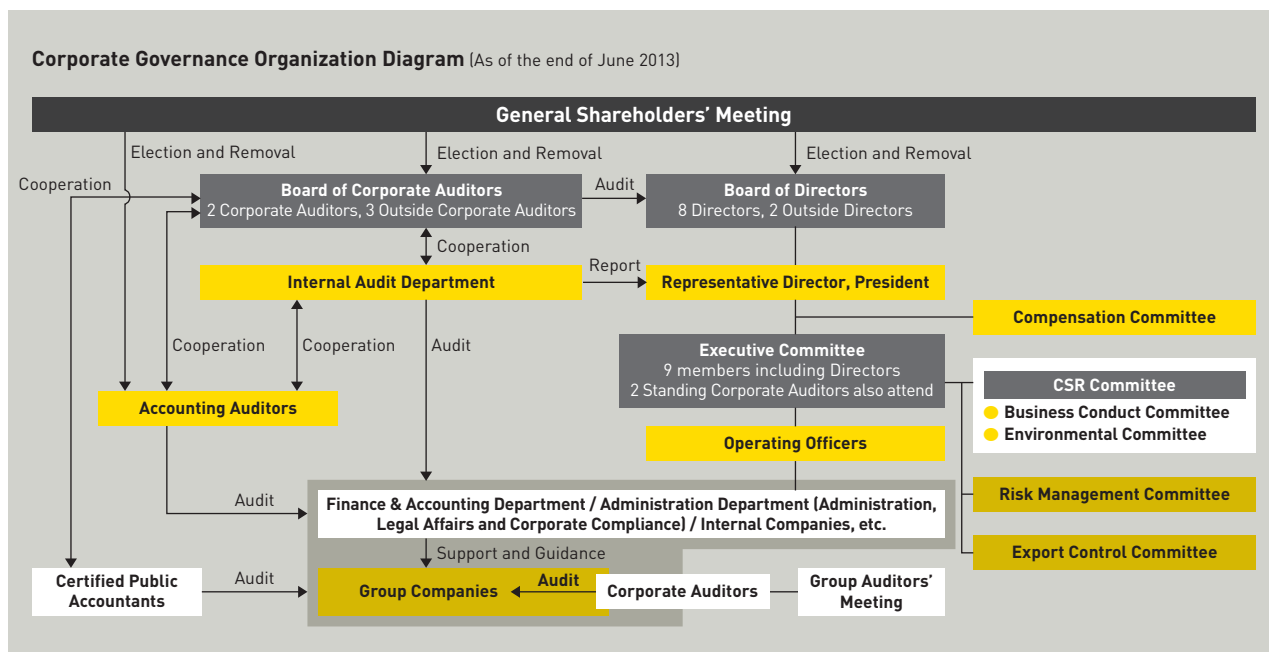
We also aim to develop the global mindset of each employee, and implement structures that allow all Nikon Group employees to work dynamically on the basis of Nikon DNA. That is the ultimate goal of the Global Human Resources Development Section.

FOCUS: NIKON

CORPORATE GOVERNANCE AND CSR INITIATIVES

Corporate Governance

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



Corporate Governance Organization

• Management System

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

• The Board of Directors and Executive Committee

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

The Executive Committee deliberates on and resolves major issues regarding the general operation of company business, internal controls, and management, in accordance with the basic management policies as

determined by the Board of Directors. This body also receives reports from each department regarding critical matters.

• Compensation Committee

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

• Corporate Auditors and the Board of Corporate Auditors

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

Internal Control System

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

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

The Internal Audit Department, independent from other operational departments and under the direct control of the president, conducts separate evaluations based on J-SOX, as well as audits of the Nikon Group's systems and

their operational status, such as whether departments are conducting operations in accordance with laws, internal regulations and other rules, and whether risks are effectively managed. The department then submits recommendations for improvement.

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

CSR Initiatives

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

The CSR Medium Term Plan

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

In this three-year plan (April 2013 to March 2016), we have set five priority issues that are common to the entire Nikon Group: 1) Expansion and promotion of environmental management; 2) Implementation of compliance activities; 3) Respect for human rights and work environments, and promoting diversity in the workforce; 4) Promotion of social contribution activities; and 5) Promotion of CSR activities in the supply chain. We have developed a medium term plan based on these priorities, and will implement measures to achieve them. Nikon will deploy its CSR-oriented business activities globally in order to meet the expectations of stakeholders, and be sincerely deserving of their trust.

CSR Structure

The Nikon Group, for the efficient and effective promotion of CSR, has established the CSR Committee chaired by the president, which makes decisions regarding CSR activities in general. Two cross-divisional, specialist subcommittees, the Business Conduct Committee and the Environmental Committee, have also been established, which liaise with the CSR Committee. Since a substantial proportion of the Nikon Group's sales and workforce is outside Japan, implementing CSR activities at overseas Group companies is important. Accordingly, Nikon is strengthening its CSR structure overseas. A structure to administer CSR at Group companies in the China and Hong Kong region was established in the fiscal year ended March 2012, and a similar structure for Europe was put in place in the fiscal year ended March 2013. In the fiscal year ending March 2014, Nikon will expand its CSR framework to the Asia-Pacific region, and establish an organizing structure for the Americas.

Risk Management

The Nikon Group, in order to properly manage risks with a significant effect on business management, has established the Risk Management Committee, chaired by the executive vice president, as administering risk management. Since April 2012, this committee has enhanced the function as an evaluator, identifying and assessing risk.

Nikon considers business continuity to be fundamental to social responsibility, and has formulated Business Continuity Plans (BCPs) assuming large-scale disasters or other disruptions. After the restoration of business operations affected by the Great East Japan Earthquake, we conducted new risk assessments at Nikon Group company sites in Japan, and revised the BCP from the perspective of damage assumptions and initial response, with the assumption that the Tokyo region would sustain the maximum extent of damage. During the fiscal year ended March 2013, Nikon also conducted Business Continuity Management (BCM) activities focused on preparations for an earthquake directly beneath Tokyo.

Expansion and Promotion of Environmental Management

The Nikon Group, to ensure a sound environment for the next generation and provide for the sustainable development of society, has formulated the Nikon Basic Environmental Management Policy, intended to contribute to the preservation of the global environment through the prevention of environmental pollution and the efficient utilization of resources. Under this policy, Nikon carries out effective environmental conservation activities through its environmental management system. Specifically, we formulated the three-year Nikon Environmental Action Plan and set environmental targets that are being implemented throughout the Group.

Implementation of Compliance Activities

Maintaining strict compliance with legal regulations while carrying out business activities is a matter of fundamental importance to the Nikon Group. We are expected to achieve a particularly high level of awareness of compliance issues, not only in Japan but also in other countries where cultural differences must be taken into account.

The Nikon Code of Conduct establishes the standards of proper behavior that all employees should observe in the conduct of their everyday business activities. We have implemented measures to firmly establish this code across the corporate Group, with the aim of fostering a

common global awareness. Specifically, the Compliance Section develops compliance activities in cooperation with compliance facilitators stationed in the various departments of Nikon and in Group companies. In the fiscal year ended March 2013, we provided compliance education under the theme of precautions when using social media. This was aimed at enhancing employees' awareness of the importance of complying with the code and observing the rules of etiquette.

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

The Nikon Group does not discriminate on the basis of race, beliefs, gender, educational background, nationality, religion, age, or any other factor. We respect diversity and human rights of each and every employee, and provide a rewarding work environment. Our fundamental stance is to respect the diversity and human rights of employees with different backgrounds and to treat them fairly, so that they can apply themselves to their work, utilize their abilities, and produce results as a team. In Japan, Nikon's efforts include promoting the role of women in the workplace, and supporting people with disabilities. Recognizing that the development of global-minded employees has become an urgent issue, in the fiscal year ended March 2013, Nikon held a Global HR Meeting of human resources stakeholders to establish common policies for HR development. Reflecting the success of this effort, Nikon Group HR Vision was established in March 2013.

Co-existence with Society and the Natural Environment (Social Contribution Programs)

The Nikon Group pursues a basic policy under which it proactively engages in social contribution activities and, as a good corporate citizen, contributes toward the realization of a better society.

Nikon, as part of a long-term effort to assist the victims of the Great East Japan Earthquake and support the restoration of communities, is pursuing a variety of activities under the slogan of "Assisting Reconstruction through Photography." One of the measures implemented under this slogan is the photo book project for junior high school students. We donate compact digital cameras to schools in disaster areas, create photo books with the pictures the students take, and give them out as presents. During the fiscal year ended March 2013, 46 junior high schools, and one board of education in Iwate, Miyagi and Fukushima prefectures participated in the photo book



The photo book project for junior high school students. Each of the students who participated in the project received the photo books at the end of the school year.

project, with 3,724 books delivered as of March 2013.

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

Promotion of CSR Activities in the Supply Chain

The Nikon Group, in accordance with the Nikon Basic Procurement Policy, has established the Nikon Procurement Partners' CSR Guidelines to prevent corruption, ensure respect for human rights, and promote CSR in the supply chain overall. We have also established the Nikon Basic Green Procurement Policy to procure

environment friendly parts and materials.

In the fiscal year ended March 2012, in concert with international efforts to address the issue of conflict minerals, Nikon revised the Nikon Procurement Partners' CSR Guidelines to incorporate conflict minerals. In the fiscal year ended March 2013, a cross-organizational project was established to handle conflict minerals.

In addition, the Nikon CSR Charter was revised to clarify Nikon's social responsibilities in the supply chain.

External Evaluation

SRI Index Listings

(As of March 31, 2013)

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



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

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Nikon Corporation and Consolidated Subsidiaries
For the year ended March 31, 2013

Business Environment

During the consolidated fiscal year ended March 31, 2013, the production goods market contracted as capital investment cooled, while the consumer goods market was visibly split along product lines into growth markets and shrinking markets. Under such conditions, to expand business operations and enhance profitability, Nikon worked to introduce competitive new products, expand production and sales, and streamline business operations.

In terms of the business environments for the Nikon Group's principal businesses, for the Precision Equipment Business segment, the markets for both IC and LCD steppers and scanners contracted significantly as semiconductor and LCD manufacturers scaled back capital investment. For the Imaging Products Business segment, the market for interchangeable lens-type digital cameras deteriorated sharply from the middle of the third quarter, while the market for compact digital cameras continued to contract. For the Instruments Business segment, the market for bioscience instruments was affected by cuts in capital investment as a result of shrinking public sector budgets and postponed procurement, while the industrial instruments market was firm on capital spending related to smartphones and tablets.

Financial Performance

To transition to an earnings structure appropriate for the changes in the business environment, Nikon launched new products, expanded its overseas network, and took steps to lower costs, including reducing product inventory, revising the design and development process, and shortening production lead times.

As a result, on a consolidated basis, net sales increased ¥91,842 million (10.0%) from the previous fiscal year to ¥1,010,494 million. Operating income, however, declined ¥29,079 million (36.3%) to ¥51,002 million, with net income down ¥16,847 million (28.4%) to ¥42,459 million.

Income (Loss) Analysis

Years ended March 31, 2012 and 2013	% of Net Sales	
	2012	2013
Net sales	100.0%	100.0%
Cost of sales	(61.7)	(65.7)
Gross profit	38.3	34.3
SG&A expenses	(29.6)	(29.3)
Operating income	8.7	5.0
Net other expenses	0.7	1.1
Income before income taxes	9.4	6.1
Income taxes	(2.9)	(1.9)
Net income attributable to minority interests	6.5	4.2
Net income	6.5	4.2

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

Performance by Business Segment

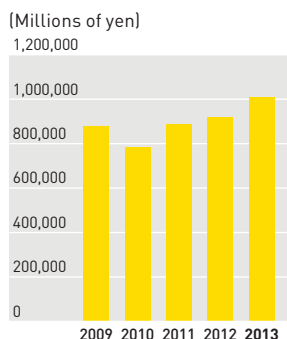
Business Segment Results

In the Precision Equipment Business segment, the market contracted as capital investment cooled among semiconductor and LCD manufacturers. In IC steppers and scanners, Nikon expanded sales of the NSR-S621D ArF immersion scanner, offering extremely high precision and throughput, and compatible with double patterning. We also announced the new NSR-S622D with further advances in precision, and received orders for the prototype ArF immersion scanner, the world's first scanner compatible with 450 mm wafers. In LCD steppers and scanners, Nikon recorded steady sales for 5th- and 6th-generation products suitable for mass production of smartphones and tablets, and expanded sales of the new FX-67S incorporating a multi-lens system. As a result, despite efforts to shorten lead times and reduce production costs throughout the business, net sales in the Precision Equipment Business segment declined 27.9% year on year to ¥179,013 million with operating income down 69.4% to ¥13,090 million.

In the Imaging Products Business segment, the market

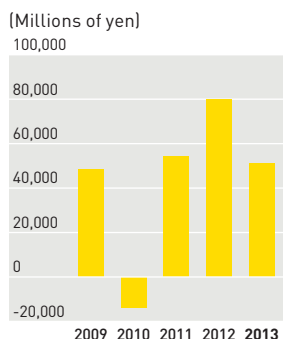
Net Sales

Years ended March 31



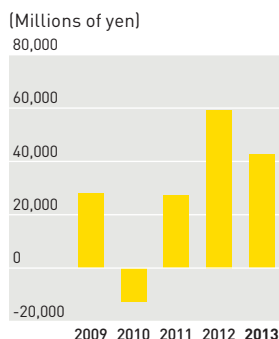
Operating Income (Loss)

Years ended March 31



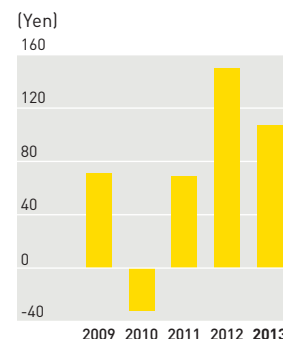
Net Income (Loss)

Years ended March 31



Basic Net Income (Loss) per Share

Years ended March 31



for interchangeable lens-type digital cameras had been expanding steadily, but deteriorated sharply from the middle of the third quarter. Because of the temporary stockpiling of inventory in response to the flood risk in Thailand, along with the downturn in market conditions, we were forced to lower prices on entry models. However, the stockpiled inventory was gradually cleared, and by the end of the fiscal period we were able to realign performance with our plan. The Nikon 1 interchangeable lens-type advanced digital camera gained a large market share in North America and Europe, expanding the brand recognition for the series. In compact digital cameras, while the market continues to shrink, Nikon gained a leading market share in all geographical regions as a result of aggressive releases of competitive products, such as the COOLPIX A incorporating the Nikon DX format sensor. In interchangeable lenses, cumulative production of NIKKOR lenses, which marked their 80th anniversary since the launch of the first product, reached 75 million units in November 2012 on an increase in sales of interchangeable lens-type digital cameras. Nikon also took steps to expand its sales and production structure with the establishment of a sales subsidiary in Indonesia, and a new production facility in Laos. As a result, net sales in the Imaging Products Business segment rose 28.0% year on year to ¥751,241 million, with operating income up 12.5% to ¥60,711 million.

In the Instruments Business segment, although the market for bioscience instruments is being affected by shrinking public spending and project delays, Nikon's sales expanded, centered on microscopes for research. We also worked to expand sales of BioStation, used for cultivation and observation of iPS cells, but performance was affected by price competition for system products. In the industrial instruments market, Nikon launched new products including the ECLIPSE LV-N Series of industrial microscopes, and focused on sales of such products as non-contact 3D measuring instruments. We also worked to reduce costs and shorten lead times throughout the business. As a

result, net sales in the Instruments Business declined 3.8% year on year to ¥53,877 million, and the segment posted an operating loss for the period of ¥4,978 million.

In terms of the component proportion ratio of sales, the Imaging Products Business segment accounted for a larger proportion of sales compared to the previous fiscal year. The Precision Equipment Business accounted for 17.7% of sales (compared to 27.0% the previous fiscal year); the Imaging Products Business for 74.4% (63.9%); the Instruments Business for 5.3% (6.1%); and the Other Business for 2.6% (3.0%).

Net Sales by Business Segment

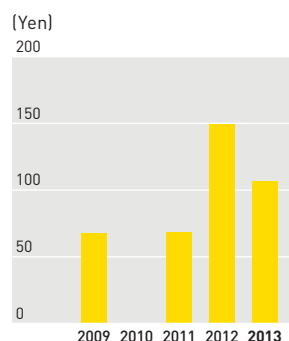
	Millions of Yen, %		Thousands of U.S. Dollars
	2012	2013	2013
Precision Equipment	¥248,145	¥179,013	\$1,903,382
Share of net sales	27.0%	17.7%	
Imaging Products	587,127	751,241	7,987,674
Share of net sales	63.9	74.4	
Instruments	56,000	53,877	572,856
Share of net sales	6.1	5.3	
Other	27,380	26,363	280,309
Share of net sales	3.0	2.6	
Total	<u>¥918,652</u>	<u>¥1,010,494</u>	<u>\$10,744,221</u>

Capital Expenditures and R&D Spending

Capital expenditures for the fiscal year ended March 31, 2013, increased 7.6% from the previous fiscal year to ¥60,158 million, mainly for the renewal of production equipment following the flooding in Thailand. By business segment, expenditures for the Precision Equipment Business totaled ¥8,302 million, for the Imaging Products Business ¥34,449 million, for the Instruments Business ¥1,512 million, and for the Other Business ¥10,733 million. Expenditures for corporate assets not allocated to any segment amounted to ¥5,162 million.

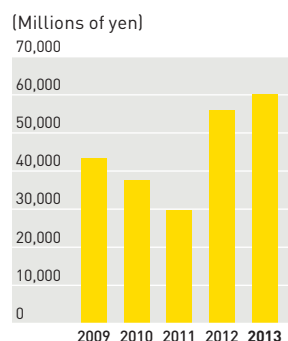
Diluted Net Income per Share

Years ended March 31



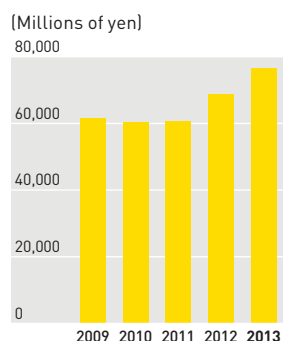
Capital Expenditures

Years ended March 31



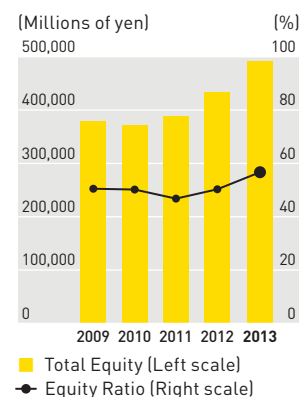
R&D Costs

Years ended March 31



Total Equity and Equity Ratio

March 31



R&D spending amounted to ¥76,497 million, an increase of ¥7,795 million from the previous fiscal year, and representing 7.6% of sales. By segment, spending in the Precision Equipment Business totaled ¥25,745 million, the Imaging Products Business ¥29,064 million, the Instruments Business ¥5,520 million, and the Other Business ¥16,170 million.

Financial Position

Total assets at March 31, 2013, amounted to ¥865,020 million, an increase of ¥4,789 million from the end of the previous fiscal year (March 31, 2012). This was mainly due to increases in property, plant and equipment resulting from investment to restore facilities damaged by the flooding in Thailand. Total liabilities amounted to ¥373,695 million, a decrease of ¥52,918 million from the end of the previous fiscal year. This was due mainly to declines in notes and accounts payable—trade, and income taxes payable. Total equity amounted to ¥491,325 million, an increase of ¥57,708 million. This mainly reflected ¥42,459 million recorded in net income, and an increase in retained earnings. The equity ratio was 56.7%, an increase of 6.4 percentage points from the end of the previous fiscal year.

Cash Flow Analysis

Net cash provided by operating activities amounted to ¥51,891 million. This was due mainly to ¥61,857 million in income before income taxes; along with decreases of ¥19,790 million in notes and accounts receivable—trade; ¥12,082 million in inventories; and ¥17,067 million in accrued expenses; offset by a ¥35,821 million decrease in notes and accounts payable—trade; and ¥30,284 million in income taxes—paid.

Net cash used in investing activities amounted to ¥65,110 million, due mainly to ¥61,856 million in expenditures for purchases of property, plant and equipment.

Net cash used in financing activities amounted to ¥18,198 million, due mainly to ¥15,842 million in dividends paid.

Balance Sheet Analysis

March 31, 2012 and 2013	% of Total Assets	
	2012	2013
Total assets	100.0%	100.0%
Total current assets	70.9	66.5
Inventories	30.6	31.1
Property, plant and equipment	15.2	18.7
Investments and other assets	13.9	14.8
Total current liabilities	39.8	34.6
Short-term borrowings	1.6	1.6
Long-term debt, less current portion	7.7	7.5
Total equity	50.4	56.8

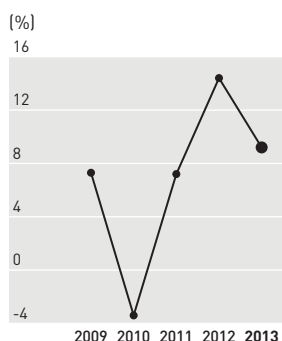
Basic Policy on Shareholder Returns; Current, Subsequent Term Dividends

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) and striving to strengthen competitiveness." In accordance with this policy, Nikon Corporation (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, 2013, Nikon has decreased its year-end dividend by ¥9, to ¥12 per share which, together with the interim dividend of ¥19 per share, represents a full-year dividend of ¥31 per share. For the fiscal year ending March 31, 2014, we plan to pay a full-year dividend of ¥41 per share (of which the interim dividend will be ¥10 per share).

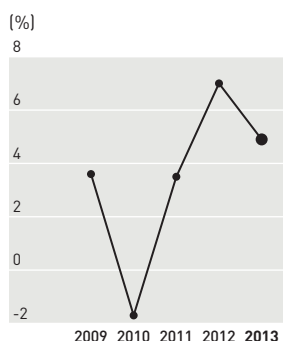
ROE

Years ended March 31



ROA

Years ended March 31



Note: ROE is calculated as net income (loss) divided by average shareholders' equity, and ROA is calculated as net income (loss) divided by average total assets.

Business and Other Risks

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

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

1. Special Business Circumstances or Situations

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

In digital cameras, the principal products of the Imaging Products Business, the market for interchangeable lens-type digital cameras is expanding while the market for compact digital cameras is contracting. 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 competitors, 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 products of the Imaging Products Business, with the maturation of the market competition has intensified into a struggle for survival among manufacturers. For compact digital cameras in particular, the acute contraction of the market has further spurred price competition.

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 85.7% of all sales. Consequently, although the Group conducts currency hedging as appropriate to the sales volume and region in question, sharp fluctuations in foreign currency markets could have an impact on sales and earnings from transactions conducted in foreign currencies for the Group's products and services, as well as on the profits, assets and liabilities of overseas subsidiaries, when converted to Japanese yen.

8. Financing Risk

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

9. Protection of Intellectual Property Rights and Litigation Risk

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

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

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

The Nikon Group relies on personnel who possess expertise and skills in advanced technology and other areas, and retaining these personnel is important to overcoming the fierce competition in the market. However, in the event of further employment mobility for whatever reason, there is a risk 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, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2013	2013
ASSETS			
Current assets			
Cash and cash equivalents (Note 14)	¥131,711	¥110,095	\$1,170,597
Notes and accounts receivable—trade (Note 14):			
Customers	133,418	129,154	1,373,247
Unconsolidated subsidiaries and associated companies	4,115	5,071	53,922
Allowance for doubtful receivables	(4,667)	(3,795)	(40,353)
Inventories (Note 4)	263,034	269,413	2,864,570
Deferred tax assets (Note 11)	47,110	43,960	467,407
Other current assets	34,753	21,750	231,269
Total current assets	<u>609,474</u>	<u>575,648</u>	<u>6,120,659</u>
Property, plant and equipment (Note 5)			
Land	14,610	15,026	159,766
Buildings and structures	107,606	119,753	1,273,294
Machinery and equipment	165,787	195,861	2,082,517
Furniture and fixtures	61,367	74,760	794,894
Lease assets	15,882	13,969	148,532
Construction in progress	23,810	15,936	169,439
Total	<u>389,062</u>	<u>435,305</u>	<u>4,628,442</u>
Accumulated depreciation	(258,118)	(273,700)	(2,910,151)
Net property, plant and equipment	<u>130,944</u>	<u>161,605</u>	<u>1,718,291</u>
Investments and other assets			
Investment securities (Notes 3, 6, and 14)	44,897	54,475	579,215
Investments in and advances to unconsolidated subsidiaries and associated companies	14,225	12,896	137,123
Long-term loans to employees and other	281	294	3,129
Software	20,530	21,769	231,467
Goodwill	5,157	4,443	47,243
Security deposits	2,667	3,184	33,851
Deferred tax assets (Note 11)	13,294	7,318	77,808
Other (Note 7)	18,968	23,620	251,127
Allowance for doubtful receivables	(207)	(232)	(2,465)
Total investments and other assets	<u>119,812</u>	<u>127,767</u>	<u>1,358,498</u>
Total	<u>¥860,230</u>	<u>¥865,020</u>	<u>\$9,197,448</u>

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2013	2013
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings (Notes 6 and 14)	¥ 13,650	¥ 13,740	\$ 146,089
Current portion of long-term debt (Notes 6 and 14)	6,864	6,703	71,271
Notes and accounts payable—trade (Note 14):			
Suppliers	154,493	123,964	1,318,061
Unconsolidated subsidiaries and associated companies	845	713	7,584
Income taxes payable (Note 14)	15,076	1,396	14,841
Accrued expenses (Note 14)	54,752	54,505	579,536
Advances received	54,215	50,799	540,129
Provision for product warranties	7,594	8,096	86,087
Other current liabilities	34,520	39,270	417,545
Total current liabilities	<u>342,009</u>	<u>299,186</u>	<u>3,181,143</u>
Long-term liabilities			
Long-term debt (Notes 6, 14, and 15)	65,854	64,905	690,116
Liability for employees' retirement benefits (Note 7)	3,700	2,877	30,586
Asset retirement obligations	2,365	2,512	26,710
Advance towards compensation for land expropriation	10,490		
Other long-term liabilities	2,195	4,215	44,812
Total long-term liabilities	<u>84,604</u>	<u>74,509</u>	<u>792,224</u>
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 2012 and 2013	65,476	65,476	696,182
Capital surplus (Note 8)	80,712	80,712	858,177
Stock acquisition rights (Note 9)	605	796	8,463
Retained earnings (Note 8)	319,823	345,693	3,675,629
Treasury stock—at cost:			
4,342,128 shares in 2012 and 4,279,760 shares in 2013	(12,993)	(12,804)	(136,144)
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	3,062	9,482	100,820
Deferred loss on derivatives under hedge accounting	(1,593)	(217)	(2,303)
Foreign currency translation adjustments	(21,475)	2,187	23,257
Total	<u>433,617</u>	<u>491,325</u>	<u>5,224,081</u>
Total equity	<u>433,617</u>	<u>491,325</u>	<u>5,224,081</u>
Total	<u>¥860,230</u>	<u>¥865,020</u>	<u>\$9,197,448</u>

CONSOLIDATED STATEMENT OF INCOME

Nikon Corporation and Consolidated Subsidiaries
Year ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2013	2013
Net sales	¥918,652	¥1,010,494	\$10,744,221
Cost of sales	567,000	663,509	7,054,858
Gross profit	351,652	346,985	3,689,363
Selling, general and administrative expenses (Note 10)	271,571	295,983	3,147,081
Operating income	80,081	51,002	542,282
Other income (expenses)			
Interest and dividend income	2,072	2,069	22,002
Interest expense	(1,038)	(1,301)	(13,830)
Foreign exchange gains (losses)	4,080	(7,300)	(77,621)
Loss on sales of property, plant and equipment	(4)	(57)	(610)
Loss on disposals of property, plant and equipment	(251)		
Loss on impairment of long-lived assets (Note 5)	(6,503)	(664)	(7,057)
Loss on sales of investment securities	(96)	(32)	(335)
Loss on valuation of investment securities	(1)	(36)	(378)
Gain on sales of property, plant and equipment	160	302	3,216
Gain on sales of investment securities	65	5,133	54,574
Insurance income (Note 19)	15,920	8,865	94,255
Losses from natural disaster (Note 20)	(12,505)		
Equity in earnings of unconsolidated subsidiaries and associated companies	1,535	2,462	26,182
Other—net	2,653	1,414	15,020
Other income (expenses)—net	6,087	10,855	115,418
Income before income taxes and minority interests	86,168	61,857	657,700
Income taxes (Note 11):			
Current	26,627	12,082	128,459
Deferred	235	7,316	77,789
Total income taxes	26,862	19,398	206,248
Net income before minority interests	59,306	42,459	451,452
Net income	¥ 59,306	¥ 42,459	\$ 451,452
	Yen		U.S. Dollars (Note 1)
Per share of common stock (Notes 2 (q) and 18):			
Basic net income	¥149.57	¥107.07	\$1.14
Diluted net income	149.41	106.92	1.14
Cash dividends applicable to the year	38.00	31.00	0.33

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Nikon Corporation and Consolidated Subsidiaries

Year ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2013	2013
Net income before minority interests	¥59,306	¥42,459	\$451,452
Other comprehensive income (Note 17):			
Unrealized (loss) gain on available-for-sale securities	(1,398)	6,414	68,199
Deferred (loss) gain on derivatives under hedge accounting	(896)	1,376	14,634
Foreign currency translation adjustments	(1,273)	23,663	251,588
Share of other comprehensive income in associates	9	6	68
Total other comprehensive (loss) income	¥ (3,558)	¥31,459	\$334,489
Comprehensive income (Note 17)	¥55,748	¥73,918	\$785,941
Total comprehensive income attributable to—			
Owners of the parent	55,748	73,918	785,941

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Nikon Corporation and Consolidated Subsidiaries

Year ended March 31, 2013

	Thousands				Millions of Yen						
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)			Total	Total Equity
							Unrealized Gain on Available-for- Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments		
BALANCE, April 1, 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
Net income					42,459					42,459	42,459
Cash dividends, ¥40.0 per share					(15,862)					(15,862)	(15,862)
Adjustment of retained earnings for newly consolidated subsidiaries and liquidation of consolidated subsidiaries					(611)					(611)	(611)
Purchase of treasury stock	(3)					(6)				(6)	(6)
Disposal of treasury stock	65				(116)	195				79	79
Net change in the year				191			6,420	1,376	23,662	31,649	31,649
BALANCE, March 31, 2013	396,599	¥65,476	¥80,712	¥796	¥345,693	¥(12,804)	¥9,482	¥ (217)	¥ 2,187	¥491,325	¥491,325

Thousands of U.S. Dollars (Note 1)

	Thousands of U.S. Dollars (Note 1)									
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)			Total	Total Equity
						Unrealized Gain on Available-for- Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments		
BALANCE, March 31, 2012	\$696,182	\$858,177	\$6,432	\$3,400,567	\$(138,150)	\$ 32,552	\$(16,937)	\$(228,331)	\$4,610,492	\$4,610,492
Net income				451,452					451,452	451,452
Cash dividends, U.S.\$0.377 per share				(168,655)					(168,655)	(168,655)
Adjustment of retained earnings for newly consolidated subsidiaries and liquidation of consolidated subsidiaries				(6,500)					(6,500)	(6,500)
Purchase of treasury stock					(68)				(68)	(68)
Disposal of treasury stock				(1,235)	2,074				839	839
Net change in the year			2,031			68,268	14,634	251,588	336,521	336,521
BALANCE, March 31, 2013	\$696,182	\$858,177	\$8,463	\$3,675,629	\$(136,144)	\$100,820	\$ (2,303)	\$ 23,257	\$5,224,081	\$5,224,081

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Nikon Corporation and Consolidated Subsidiaries
Year ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2013	2013
Operating activities:			
Income before income taxes	¥ 86,168	¥ 61,857	\$ 657,700
Adjustments for:			
Income taxes—paid	(14,098)	(30,284)	(321,999)
Loss on impairment of fixed assets	12,128	664	7,057
Decrease in allowance for doubtful receivables	(2,424)	(1,404)	(14,926)
Increase in provision for product warranties	366	79	839
Depreciation and amortization	32,570	36,226	385,177
Decrease in provision for liability for employees' retirement benefits	(11,186)	(981)	(10,435)
Decrease in retirement allowances for directors and corporate auditors	(606)		
Interest and dividends income	(2,072)	(2,069)	(22,002)
Equity in earnings of unconsolidated subsidiaries and associated companies	(1,535)	(2,462)	(26,182)
Interest expenses	1,038	1,301	13,830
Gain on sales of property, plant and equipment	(155)	(245)	(2,606)
Loss on disposal of property, plant and equipment	1,022		
Loss (gain) on sales of investment securities	31	(5,101)	(54,239)
Loss on valuation of investment securities	1	36	378
Other—net	2,568	(13,087)	(139,148)
Change in assets and liabilities:			
Decrease (increase) in notes and accounts receivable—trade	(18,681)	19,790	210,425
Decrease (increase) in inventories	(27,703)	12,082	128,462
Decrease in notes and accounts payable—trade	(15,530)	(35,821)	(380,871)
Decrease in advances received	(9,609)	(3,679)	(39,121)
Increase (decrease) in accrued expenses	29	(6,264)	(66,600)
Other—net	(17,249)	21,253	225,999
Total adjustments	(71,095)	(9,966)	(105,962)
Net cash provided by operating activities	15,073	51,891	551,738
Investing activities:			
Purchases of property, plant and equipment	(35,773)	(61,856)	(657,688)
Proceeds from sales of property, plant and equipment	1,304	2,762	29,372
Purchases of investment securities	(789)	(1,410)	(14,997)
Proceeds from sales of investment securities	393	5,278	56,116
Net increase in loans receivable	(1,225)	(110)	(1,165)
Other—net	(13,055)	(9,774)	(103,928)
Net cash used in investing activities	(49,145)	(65,110)	(692,290)
Financing activities:			
Net decrease in short-term borrowings	(1,549)	(92)	(976)
Proceeds from long-term debt	2,900	4,700	49,973
Repayments of long-term debt	(4,290)	(7,041)	(74,865)
Dividends paid	(12,278)	(15,842)	(168,439)
Other—net	67	77	810
Net cash used in financing activities	(15,150)	(18,198)	(193,497)
Foreign currency translation adjustments on cash and cash equivalents	(665)	9,371	99,636
Net decrease in cash and cash equivalents	(49,887)	(22,046)	(234,413)
Cash and cash equivalents of newly consolidated subsidiaries, beginning of year	537	430	4,572
Cash and cash equivalents, beginning of year	181,061	131,711	1,400,438
Cash and cash equivalents, end of year	¥131,711	¥110,095	\$1,170,597

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nikon Corporation and Consolidated Subsidiaries
Year ended March 31, 2013

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.

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 ¥94.05 to \$1, the approximate rate of exchange at March 31, 2013. 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, 2013 include the accounts of the Company and its 71 (68 in 2012) significant subsidiaries (together, the "Group"). Changes include addition of Nikon Mexico S.A. de C.V., NIKON DO BRASIL LTDA., Nikon Instruments (Shanghai) Co., Ltd., and Nikon Instruments Korea Co., Ltd., and completion of liquidation of 1 subsidiary 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 2012) 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 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 also eliminated.

The fiscal year end of Nikon Imaging (China) Co., Ltd.; Nikon Precision Shanghai Co., Ltd.; Nikon Imaging (China) Sales Co., Ltd.; Nikon (Russia) LLC.; Nikon Mexico S.A. de C.V.; NIKON DO BRASIL LTDA.; and Nikon Instruments (Shanghai) Co., Ltd. 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.

(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 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 unfunded retirement benefit plans. Certain domestic subsidiaries have smaller 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 fiscal year ended March 31, 2012, the Company contributed ¥14,600 million 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 Audit & Supervisory Board Members

Retirement allowances for directors and audit & supervisory board members were recorded to state the liability at the amount that would be required if all directors and audit & supervisory board members retired at each balance sheet date. However, the Company decided to abolish the Retirement Benefits Plan for Directors and Audit & Supervisory Board Members 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 and audit & supervisory board members, in accordance with the resolution at the Annual General Shareholders' Meeting. The unpaid amount was recorded in "Other long-term liabilities" in 2012 and 2013.

(j) 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.

(k) Research and Development Costs

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

(l) 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.

(m) Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement 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 income tax rules to the temporary differences.

The Company and some foreign subsidiaries file a tax return under the consolidated corporate tax system, which allows the companies to base tax payments on the combined profits or

losses of the companies and their wholly owned domestic subsidiaries.

(n) 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 consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

(o) 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.

(p) 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 use derivatives for trading or speculative purposes.

Derivatives 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 consolidated statement 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.

Foreign exchange forward contracts and currency option contracts employed to hedge foreign exchange exposures for export sales and import 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. 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. 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. 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.

(q) 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 statement of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

(r) 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 an accounting standard, a new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.

(2) Changes in Presentation

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.

(s) New Accounting Pronouncements

Accounting Standard for Retirement Benefits—On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and followed by partial amendments from time to time through 2009.

Major changes are as follows:

(1) Treatment in the balance sheet

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(2) Treatment in the statement of income and the statement of comprehensive income

The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

This accounting standard and the guidance are effective for the end of annual periods beginning on or after April 1, 2013, with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company expects to apply the revised accounting standard from the end of the annual period beginning on April 1, 2013, and is in the process of measuring the effects of applying the revised accounting standard in future applicable periods.

3. Investment Securities

Investment securities at March 31, 2012 and 2013 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Non-Current:			
Equity securities	¥44,063	¥53,646	\$570,401
Debt securities	0		
Investment in a limited liability investment partnership	834	829	8,814
Total	<u>¥44,897</u>	<u>¥54,475</u>	<u>\$579,215</u>

The cost and aggregate fair values of investment securities at March 31, 2012 and 2013 were as follows:

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

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<u>March 31, 2013</u>				
Securities classified as:				
Available-for-sale:				
Equity securities	¥39,289	¥16,992	¥2,858	¥53,423
Total	<u>¥39,289</u>	<u>¥16,992</u>	<u>¥2,858</u>	<u>¥53,423</u>

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<u>March 31, 2013</u>				
Securities classified as:				
Available-for-sale:				
Equity securities	\$417,746	\$180,669	\$30,386	\$568,029
Total	<u>\$417,746</u>	<u>\$180,669</u>	<u>\$30,386</u>	<u>\$568,029</u>

Carrying amounts of available-for-sale securities whose fair value is not readily determinable as of March 31, 2012 and 2013 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Available-for-sale:			
Equity securities	¥ 224	¥ 223	\$ 2,372
Investment in a limited liability investment partnership	834	829	8,814
Total	<u>¥1,058</u>	<u>¥1,052</u>	<u>\$11,186</u>

Proceeds from sales of available-for-sale securities were ¥393 million for the fiscal year ended March 31, 2012. Gross realized gains and losses on these sales computed on the moving-average cost basis were ¥65 million and ¥96 million, respectively, for the fiscal year ended March 31, 2012. Proceeds from sales of available-for-sale securities were ¥779 million (\$8,285 thousand) for the fiscal year ended March 31, 2013. Gross realized gains and losses on these sales computed on a moving-average cost basis were ¥0 million (\$0 thousand) and ¥32 million (\$335 thousand), respectively for the fiscal year ended March 31, 2013.

4. Inventories

Inventories at March 31, 2012 and 2013 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Finished and semifinished products	¥118,899	¥116,505	\$1,238,754
Work in process	112,143	119,760	1,273,368
Raw materials and supplies	31,992	33,148	352,448
Total	¥263,034	¥269,413	\$2,864,570

5. Long-Lived Assets

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

The Group reviewed goodwill for impairment as of March 31, 2012. As a result, the Group recognized an impairment loss of ¥6,497 million 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%.

For the fiscal year ended March 31, 2012, the Group recognized an impairment loss of ¥6 million as "Loss on impairment of long-lived assets" for unutilized machinery, equipment, furniture and structures.

The Group reviewed its long-lived assets for impairment as of March 31, 2013 and recognized an impairment loss of ¥664 million as "Loss on impairment of long-lived assets" for machinery, equipment, furniture and structures in Japan, Asia, and Europe. This is because fair values of these assets were lower than the carrying amounts.

6. Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 2012 and 2013 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Short-term loans, principally from banks:			
2012: 0.40120%–4.50000%			
2013: 0.45000%–8.75000%	¥13,650	¥13,740	\$146,089
Total	¥13,650	¥13,740	\$146,089

Long-term debt at March 31, 2012 and 2013 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Loans, principally from banks and insurance companies:			
2012: 0.64500%–1.95250% due 2012–2017			
2013: 0.63125%–1.95250% due 2014–2023	¥27,600	¥27,600	\$293,462
Obligations under finance leases	5,118	4,008	42,621
Bonds	40,000	40,000	425,304
Total	72,718	71,608	761,387
Less: Current portion	(6,864)	(6,703)	(71,271)
Long-term debt, less current portion	¥65,854	¥64,905	\$690,116

The aggregate annual maturities of long-term debt at March 31, 2013 are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2014	¥ 6,703	\$ 71,271
2015	11,138	118,431
2016	15,655	166,455
2017	13,177	140,111
2018	10,117	107,566
2019 and thereafter	14,818	157,553
Total	¥71,608	\$761,387

At March 31, 2013, the following assets were pledged as collateral for the long-term debt:

	Millions of Yen	Thousands of U.S. Dollars
	2013	2013
Investment securities	¥5,214	\$55,442

Liabilities secured by the above assets were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2013	2013
Long-term debt, including current portion	¥4,700	\$49,973

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 unfunded retirement benefit plans. Certain domestic subsidiaries have a smaller 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 Audit & Supervisory Board Members 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 audit & supervisory board members, 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, 2012 and 2013 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Projected benefit obligation	¥114,775	¥117,246	\$1,246,630
Fair value of plan assets	(105,686)	(119,398)	(1,269,517)
Unrecognized actuarial gain	(19,410)	(10,845)	(115,305)
Unrecognized prior service cost	5,026	2,644	28,112
	(5,295)	(10,353)	(110,080)
Prepayment of service cost	8,995	13,230	140,666
Net liability	¥ 3,700	¥ 2,877	\$ 30,586

The plan assets include contributions to the employee retirement benefit trust of ¥14,358 million and ¥9,217 million (\$98,004 thousand) at March 31, 2012 and 2013, respectively.

The components of net periodic benefit costs for the fiscal years ended March 31, 2012 and 2013 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Service cost	¥3,447	¥3,637	\$38,674
Interest cost	2,766	2,362	25,112
Expected return on plan assets	(2,035)	(2,344)	(24,926)
Recognized actuarial loss	2,997	1,485	15,791
Amortization of prior service cost	(1,901)	(1,999)	(21,252)
Net periodic retirement benefit costs	¥5,274	¥3,141	\$33,399

In addition to the above, the Company and certain foreign subsidiaries charged contributions of ¥1,857 million and ¥2,212 million (\$23,517 thousand) to the defined contribution pension plans to income during the fiscal years ended March 31, 2012 and 2013, respectively.

Assumptions used for the fiscal years ended March 31, 2012 and 2013 were principally as set forth below:

	2012	2013
Discount rate	1.80%	1.80%
Expected rate of return on plans assets	2.00%	2.00%
Recognition period of actuarial gain/loss	10 years	10 years
Amortization period of prior service cost	10 years	10 years

8. Equity

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

(a) Dividends

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

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

The Companies Act permits companies to distribute dividends in kind (noncash 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, 2013 were as follows:

Stock Options	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
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
2012 Stock Options	18 directors 16 officers	108,300 shares	August 23, 2012	¥ 1	From August 24, 2012 to August 23, 2042

The stock option activities are as follows:

	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	2012 Stock Options
For the year ended March 31, 2012										
<u>Non-vested</u>										
March 31, 2011—Outstanding										
Granted									99,700	
Canceled										
Vested									99,700	
March 31, 2012—Outstanding										
<u>Vested</u>										
March 31, 2011—Outstanding	27,000	119,000	141,000	99,000	26,100	117,900	68,100	66,800		
Vested									99,700	
Exercised	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	¥ 1,048	¥ 1,225	¥ 1,273	¥ 2,902	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	
Average stock price at exercise	¥ 1,799	¥ 1,779	¥ 1,779							
Fair value price at grant date				¥ 840	¥ 3,259	¥ 734	¥ 1,408	¥ 1,527	¥ 2,037	
For the year ended March 31, 2013										
<u>Non-vested</u>										
March 31, 2012—Outstanding										
Granted										108,300
Canceled										
Vested										108,300
March 31, 2013—Outstanding										
<u>Vested</u>										
March 31, 2012—Outstanding	10,000	97,000	129,000	99,000	26,100	117,900	68,100	66,800	99,700	
Vested										108,300
Exercised	10,000	42,000	13,000							
Canceled										
March 31, 2013—Outstanding		55,000	116,000	99,000	26,100	117,900	68,100	66,800	99,700	108,300
Exercise price	¥ 1,048	¥ 1,225	¥ 1,273	¥ 2,902	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average stock price at exercise	¥ 2,290	¥ 2,245	¥ 2,323							
Fair value price at grant date				¥ 840	¥ 3,259	¥ 734	¥ 1,408	¥ 1,527	¥ 2,037	¥ 1,726

The assumptions used to measure the fair value of 2013 Stock Options which were granted on August 23, 2012:

Estimate method:	Black-Scholes option-pricing model
Volatility of stock price:	47.635%
Estimate remaining outstanding period:	15 years
Estimate dividend:	¥38.00 per share
Risk free interest rate:	1.379%

10. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the fiscal years ended March 31, 2012 and 2013 principally consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Advertising expenses	¥74,389	¥83,815	\$891,178
Provision for doubtful receivables	35	(461)	(4,904)
Provision of warranty costs	2,967	4,212	44,784
Employees' salaries	30,479	32,855	349,339
Net periodic retirement benefit costs	3,520	2,357	25,057
Employees' bonuses and others	16,583	17,682	188,003
Research and development costs	68,701	76,497	813,364

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% and 38.0% for the fiscal years ended March 31, 2012 and 2013.

The tax effects of significant temporary differences and tax loss carryforwards, which result in deferred tax assets and liabilities at March 31, 2012 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Deferred tax assets:			
Write-down of inventories	¥33,873	¥33,433	\$355,480
Warranty reserve	2,051	6,590	70,073
Liability for employees' retirement benefits	3,860	232	2,463
Depreciation and amortization	15,487	16,560	176,078
Accrued bonuses	4,117	3,654	38,853
Other	11,701	6,096	64,816
Total	¥71,089	¥66,565	\$707,763
Deferred tax liabilities:			
Deferred gains on sales of property replaced	¥ 2,878	¥ 2,730	\$ 29,031
Unrealized gain on available-for-sale securities		3,816	40,571
Undistributed earnings of foreign subsidiaries	6,604	8,272	87,951
Other	1,424	2,022	21,500
Total	¥10,906	¥16,840	\$179,053
Net deferred tax assets	¥60,183	¥49,725	\$528,710

A valuation allowance of ¥3,797 million in 2012 and ¥4,660 million (\$49,553 thousand) in 2013 was deducted from the amounts calculated above.

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2013, with the corresponding figures for 2012 is as follows:

	2012	2013
Normal statutory tax rate	40.6%	38.0%
Tax credit for research and development costs	(4.2)	(2.2)
Tax rate difference of consolidated subsidiaries	(7.2)	(7.1)
Deferred tax assets for unrealizable profits	(6.0)	0.4
Increase in valuation allowance	(0.1)	(1.1)
Tax effect on retained earnings for foreign subsidiaries		2.4
Amortization of goodwill	3.8	0.4
Effect of corporate income tax rate reduction in Japan	4.2	
Other—net	0.1	0.6
Actual effective tax rate	<u>31.2%</u>	<u>31.4%</u>

The "Act for Partial Revision of the Income Tax Act, etc., for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117 of 2011) promulgated on December 2, 2011 led to a reduction of corporate tax rates and the introduction of a special reconstruction corporate tax from the fiscal year beginning on April 1, 2012. Consequently, the effective statutory tax rate applicable in calculation of deferred tax assets and deferred tax liabilities has been changed from the previous rate of 40.6% to 38.0% for 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% for the temporary difference expected to be resolved in the fiscal year beginning on April 1, 2015 or thereafter.

12. Research and Development Costs

Research and development costs charged to income were ¥68,701 million and ¥76,497 million (\$813,364 thousand) for the fiscal years ended March 31, 2012 and 2013, respectively.

13. Leases

The Group leases certain machinery and equipment for manufacturing.

The minimum rental commitments under noncancelable operating leases at March 31, 2012 and 2013 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Due within one year	¥2,844	¥ 3,634	\$ 38,642
Due after one year	5,071	6,476	68,857
Total	<u>¥7,915</u>	<u>¥10,110</u>	<u>\$107,499</u>

14. 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, mainly the position, net of payables in foreign currencies, is hedged, principally 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.

(3) Fair values of financial instruments

Carrying amounts, fair values and the differences between carrying amounts and fair values as of March 31, 2012 and 2013 were as follows. The accounts deemed to be extremely difficult to calculate the fair values were not included in the following:

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
March 31, 2012			
Cash and cash equivalents	¥131,711	¥131,711	
Notes and accounts receivable—trade	132,866	132,866	
Investment securities	43,839	43,839	
Investments in and advances to unconsolidated subsidiaries and associated companies	233	647	¥ 414
Total	¥308,649	¥309,063	¥ 414
Short-term borrowings	¥ 13,650	¥ 13,650	
Notes and accounts payable—trade	155,338	155,338	
Long-term loans	27,600	27,877	¥ (277)
Bonds	40,000	41,206	(1,206)
Accrued expenses	54,752	54,752	
Income taxes payable	15,076	15,076	
Derivatives	(3,478)	(3,478)	
Total	¥302,938	¥304,421	¥(1,483)

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.

March 31, 2013	Millions of Yen			Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain/Loss	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥110,095	¥110,095		\$1,170,597	\$1,170,597	
Notes and accounts receivable—trade	130,430	130,430		1,386,816	1,386,816	
Investment securities	53,423	53,423		568,029	568,029	
Investments in and advances to unconsolidated subsidiaries and associated companies	233	568	¥ 335	2,475	6,037	\$ 3,562
Total	¥294,181	¥294,516	¥ 335	\$3,127,917	\$3,131,479	\$ 3,562
Short-term borrowings	¥ 13,740	¥ 13,740		\$ 146,089	\$ 146,089	
Notes and accounts payable—trade	124,677	124,677		1,325,645	1,325,645	
Long-term loans	27,600	27,940	¥ (340)	293,462	297,079	\$ (3,617)
Bonds	40,000	41,561	(1,561)	425,304	441,904	(16,600)
Accrued expenses	54,505	54,505		579,536	579,536	
Income taxes payable	1,396	1,396		14,841	14,841	
Derivatives	(5,257)	(5,257)		(55,892)	(55,892)	
Total	¥256,661	¥258,562	¥(1,901)	\$2,728,985	\$2,749,202	\$(20,217)

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 and investments in and advances to unconsolidated subsidiaries and associated companies:

The fair values of investment securities and investments in and advances to unconsolidated subsidiaries and associated companies are measured at the quoted market price of the stock exchange. Investment securities and investments in and advances to unconsolidated subsidiaries and associated companies whose fair value is not readily determinable (the carrying values of ¥1,058 million and ¥13,992 million as of March 31, 2012 and ¥1,052 million and ¥12,664 million (\$11,186 thousand and \$134,647 thousand) as of March 31, 2013 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 to loans, at the rate assumed based on indices such as yield of government bonds and credit spread.

Long-term loans include 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, 2012 and 2013 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Due in One Year or Less	Due after One Year through Five Years	Due in One Year or Less	Due after One Year through Five Years
March 31, 2012				
Cash and cash equivalents	¥131,711	¥	\$1,170,597	\$
Notes and accounts receivable	137,533		1,427,169	
Investment securities				
Available-for-sale securities with contractual maturities	0			
Total	¥269,244	¥	\$2,597,766	\$
March 31, 2013				
Cash and cash equivalents	¥110,095	¥	\$1,170,597	\$
Notes and accounts receivable	134,225		1,427,169	
Investment securities				
Available-for-sale securities with contractual maturities				
Total	¥244,320	¥	\$2,597,766	\$

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 use 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, 2012 and 2013 were as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	2012				2013			
	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)	\$ 98,980		\$ (246)	\$ (246)
Selling EUR	21,887		(607)	(607)	288,368		(14,206)	(14,206)
Selling Other	9,423		(184)	(184)	168,602		(11,790)	(11,790)
Buying JPY	(1)		0	0	(69)		(1)	(1)
Buying USD	(13,320)		106	106	(62,962)		(296)	(296)
Buying EUR	(5,820)		(37)	(37)	(61,916)		(1,773)	(1,773)
Buying Other	(668)		5	5	(6,838)		49	49
Total				<u>¥(855)</u>				<u>\$ (2,021)</u>
Currency Swap Contracts:								
Yen receipt, Brazil Real payment	¥ 1,153	¥1,153	¥ 1	¥ 1	\$ 12,259	\$ 5,068	\$ (479)	\$ (479)
Total				<u>¥ 1</u>				<u>\$ (479)</u>
Forward Exchange Contracts:								
Selling USD	¥ 9,309		¥ (23)	¥ (23)	\$ 98,980		\$ (246)	\$ (246)
Selling EUR	27,121		(1,336)	(1,336)	288,368		(14,206)	(14,206)
Selling Other	15,857		(1,109)	(1,109)	168,602		(11,790)	(11,790)
Buying JPY	(6)		0	0	(69)		(1)	(1)
Buying USD	(5,922)		(28)	(28)	(62,962)		(296)	(296)
Buying EUR	(5,823)		(167)	(167)	(61,916)		(1,773)	(1,773)
Buying Other	(643)		5	5	(6,838)		49	49
Total				<u>¥(2,658)</u>				<u>\$ (2,021)</u>
Currency Swap Contracts:								
Yen receipt, Brazil Real payment	¥ 1,153	¥ 477	¥ (45)	¥ (45)	\$ 12,259	\$ 5,068	\$ (479)	\$ (479)
Yen receipt, Thai Baht payment	11,416	10,387	(2,150)	(2,150)	121,382	110,439	(22,859)	(22,859)
Total				<u>¥(2,195)</u>				<u>\$ (23,338)</u>

Notes: Method used to calculate the fair value

1. Forward Exchange Contracts: Forward exchange rates are used for the fair values of forward exchange contracts.
2. Currency Option Contracts: The fair values of derivative transactions are based on information provided by financial institutions. In case of transacting zero cost option contracts, only the fair value and unrealized loss (gain) corresponding to option premiums are shown.
3. Currency Swap Contracts: The fair values of derivative transactions are based on information provided by financial institutions. The currency swap amounts are notional amounts, which are shown in the above table, and do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

Derivative transactions to which hedge accounting is applied at March 31, 2012 and 2013 were as follows:

		Millions of Yen			Thousands of U.S. Dollars		
		Contract Amount	Contract Amount Due after One Year	Fair Value	Contract Amount	Contract Amount Due after One Year	Fair Value
March 31, 2012	Hedged Item						
Foreign currency forward contracts:							
Selling USD	Receivables (forecasted transaction)	¥21,380		¥ (559)			
Selling EUR	Receivables (forecasted transaction)	40,553		[2,064]			
Total				<u>¥ [2,623]</u>			
March 31, 2013	Hedged Item						
Foreign currency forward contracts:							
Selling USD	Receivables (forecasted transaction)	¥ 842		¥ (4)	\$ 8,955		\$ (39)
Selling EUR	Receivables (forecasted transaction)	24,248		(400)	257,818		(4,252)
Total				<u>¥(404)</u>			<u>\$(4,291)</u>

Note: Method used to calculate the fair value

1. Forward Exchange Contracts: Forward exchange rates are used for the fair values of forward exchange contracts.

		Millions of Yen		Thousands of U.S. Dollars	
		Contract Amount	Contract Amount Due after One Year	Contract Amount	Contract Amount Due after One Year
March 31, 2012	Hedged Item				
Interest rate swaps:					
(fixed-rate payment, floating rate receipt)	Long-term debt	¥4,900	¥3,400		
March 31, 2013	Hedged Item				
Interest rate swaps:					
(fixed-rate payment, floating rate receipt)	Long-term debt	¥4,400	¥4,400	\$46,784	\$46,784

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, 2013, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
	2013	2013
As the guarantor of bank loans and indebtedness, principally of employees, unconsolidated subsidiaries and associated companies	¥936	\$9,954
Total	<u>¥936</u>	<u>\$9,954</u>

17. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2012 and 2013 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	¥(1,983)	¥ 9,960	\$105,899
Reclassification adjustments to profit	30	31	335
Amount before income tax effect	(1,953)	9,991	106,234
Income tax effect	555	(3,577)	(38,035)
Total	¥(1,398)	¥ 6,414	\$ 68,199
Deferred gain (loss) on derivatives under hedge accounting:			
Gains (losses) arising during the year	¥ 3,192	¥ (2,177)	\$ (23,146)
Reclassification adjustments to gain or loss	(4,588)	4,397	46,749
Amount before income tax effect	(1,396)	2,220	23,603
Income tax effect	500	(844)	(8,969)
Total	¥ (896)	¥ 1,376	\$ 14,634
Foreign currency translation adjustment:			
Adjustments arising during the year	¥(1,273)	¥23,663	\$251,588
Share of other comprehensive income (loss) in associates:			
Gains arising during the year	9	6	68
Total other comprehensive income (loss)	¥(3,558)	¥31,459	\$334,489

18. Net Income per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2012 and 2013 was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-Average Shares	EPS	
For the year ended March 31, 2012:				
Basic EPS				
Net income available to common shareholders	¥59,306	396,502	¥149.57	
Effect of dilutive securities				
Warrants (stock option)		440		
Diluted EPS				
Net income for computation	¥59,306	396,942	¥149.41	
For the year ended March 31, 2013:				
Basic EPS				
Net income available to common shareholders	¥42,459	396,567	¥107.07	\$1.14
Effect of dilutive securities				
Warrants (stock option)		556		
Diluted EPS				
Net income for computation	¥42,459	397,123	¥106.92	\$1.14

19. Insurance Income

Nikon (Thailand) Co., Ltd., which incurred damage due to the floods in Thailand in October 2011, and others recorded as insurance income the reimbursement received for a part of the losses of property, plant and equipment and inventories affected by the disaster. The amount of insurance income regarding this case has been settled, and no additional amount is expected to be received.

20. Losses from Natural Disaster

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 in October 2011.

The loss mainly includes the following:

	Millions of Yen
Disposal and impairment loss of noncurrent assets	¥6,790
Disposal and write-down of inventories	2,117
Restoration cost and others	1,579

21. Subsequent Events

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2013 was approved at the Company's shareholders' meeting held on June 27, 2013:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥12.00 (\$0.13) per share	¥4,759	\$50,603

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 equipment.

2. Methods of measurement for the amounts of sales, profit (loss), assets, 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, and other items is as follows:

	Millions of Yen							
	Reportable Segment				Other	Total	Reconciliations	Consolidated
	Precision Equipment	Imaging Products	Instruments	Total				
For the year ended March 31, 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								
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

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 ¥665 million and corporate expenses of minus ¥18,294 million. In addition, reconciliations of segment asset adjustments includes corporate assets not allocated to the respective reportable segments of ¥268,273 million and the elimination of intersegment transactions of minus ¥20,043 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), deferred tax assets, and some intersegment fixed assets.

3. Segment profit (loss) is adjusted with reported operating income in the consolidated financial statements.

	Millions of Yen							
	Reportable Segment				Other	Total	Reconciliations	Consolidated
	Precision Equipment	Imaging Products	Instruments	Total				
For the year ended March 31, 2013								
Sales:								
Sales to external customers	¥179,013	¥751,241	¥53,877	¥984,131	¥ 26,363	¥1,010,494		¥1,010,494
Intersegment sales or transfers	950	793	1,101	2,844	32,027	34,871	¥ (34,871)	
Total	179,963	752,034	54,978	986,975	58,390	1,045,365	(34,871)	1,010,494
Segment profit (loss)	¥ 13,090	¥ 60,711	¥ (4,978)	¥ 68,823	¥ 3,556	¥ 72,379	¥ (21,377)	¥ 51,002
Segment assets								
Segment assets	¥191,439	¥297,517	¥49,282	¥538,238	¥110,930	¥ 649,168	¥215,852	¥ 865,020
Other:								
Depreciation and amortization	8,720	16,260	1,550	26,530	6,454	32,984	3,242	36,226
Increase in property, plant and equipment and intangible assets	8,302	34,449	1,512	44,263	10,733	54,996	5,162	60,158

Thousands of U.S. Dollars

	Reportable Segment				Other	Total	Reconciliations	Consolidated
	Precision Equipment	Imaging Products	Instruments	Total				
For the year ended March 31, 2013								
Sales								
Sales to external customers	\$1,903,382	\$7,987,674	\$572,856	\$10,463,912	\$ 280,309	\$10,744,221		\$10,744,221
Intersegment sales or transfers	10,095	8,440	11,709	30,244	340,529	370,773	\$ (370,773)	
Total	1,913,477	7,996,114	584,565	10,494,156	620,838	11,114,994	(370,773)	10,744,221
Segment profit (loss)	\$ 139,181	\$ 645,522	\$ (52,929)	\$ 731,774	\$ 37,806	\$ 769,580	\$ (227,298)	\$ 542,282
Segment assets	\$2,035,498	\$3,163,405	\$523,993	\$ 5,722,896	\$1,179,478	\$ 6,902,374	\$2,295,074	\$ 9,197,448
Other:								
Depreciation and amortization	92,722	172,871	16,486	282,079	68,625	350,704	34,470	385,174
Increase in property, plant and equipment and intangible assets	88,268	366,285	16,079	470,632	114,126	584,758	54,883	639,641

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 ¥249 million (\$2,648 thousand) and corporate expenses of minus ¥21,626 million (\$229,946 thousand). In addition, reconciliations of segment asset adjustments includes corporate assets not allocated to the respective reportable segments of ¥243,654 million (\$2,590,681 thousand) and the elimination of intersegment transactions of minus ¥27,802 million (\$295,607 thousand). 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), deferred tax assets, and some intersegment fixed assets.

3. Segment profit (loss) is adjusted with reported operating income in the consolidated financial statements.

Related Information

1. Related information by geographical area at March 31, 2012 and 2013 consisted of the following:

(1) Net Sales

	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
	Millions of Yen					
	Japan	USA	Europe	China	Other	Total
For the year ended March 31, 2013	¥144,417	¥271,460	¥260,038	¥118,162	¥216,417	¥1,010,494
	Thousands of U.S. Dollars					
	Japan	USA	Europe	China	Other	Total
For the year ended March 31, 2013	\$1,535,536	\$2,886,337	\$2,764,894	\$1,256,375	\$2,301,079	\$10,744,221

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

(2) Property, plant and equipment

	Millions of Yen						Total
	Japan	North America	Europe	China	Thailand	Other	
For the year ended March 31, 2012	¥95,509	¥5,161	¥3,334	¥13,930	¥12,296	¥714	¥130,944
	Millions of Yen						Total
	Japan	North America	Europe	China	Thailand	Other	
For the year ended March 31, 2013	¥92,511	¥6,211	¥4,370	¥17,447	¥39,724	¥1,342	¥161,605
	Thousands of U.S. Dollars						Total
	Japan	North America	Europe	China	Thailand	Other	
For the year ended March 31, 2013	\$983,636	\$66,038	\$46,469	\$185,506	\$422,375	\$14,267	\$1,718,291

2. Information for amortization of goodwill for the years ended March 31, 2012 and 2013, and the balance of goodwill by reportable segments at March 31, 2012 and 2013 were as follows:

	Millions of Yen						Total
	Reportable Segments				Other	Corporate or Eliminations	
	Precision Equipment	Imaging Products	Instruments	Total			
For the year ended March 31, 2012							
Amortization of goodwill for the current fiscal year			¥1,582	¥1,582			¥1,582
Impairment loss for assets for the current fiscal year			¥6,497	¥6,497			¥6,497
Balance of goodwill at March 31, 2012			¥5,157	¥5,157			¥5,157
	Millions of Yen						Total
	Reportable Segments				Other	Corporate or Eliminations	
	Precision Equipment	Imaging Products	Instruments	Total			
For the year ended March 31, 2013							
Amortization of goodwill for the current fiscal year			¥ 714	¥ 714			¥ 714
Balance of goodwill at March 31, 2013			¥4,443	¥4,443			¥4,443
	Thousands of U.S. Dollars						Total
	Reportable Segments				Other	Corporate or Eliminations	
	Precision Equipment	Imaging Products	Instruments	Total			
For the year ended March 31, 2013							
Amortization of goodwill for the current fiscal year			\$ 7,597	\$ 7,597			\$ 7,597
Balance of goodwill at March 31, 2013			\$47,243	\$47,243			\$47,243

INDEPENDENT AUDITORS' REPORT

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of NIKON CORPORATION:

We have audited the accompanying consolidated balance sheet of NIKON CORPORATION and its consolidated subsidiaries as of March 31, 2013, 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 accordance 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 misstatement, 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 accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 its consolidated subsidiaries as of March 31, 2013, and the consolidated results of their operations and their cash flows for the year then ended in accordance 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 accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

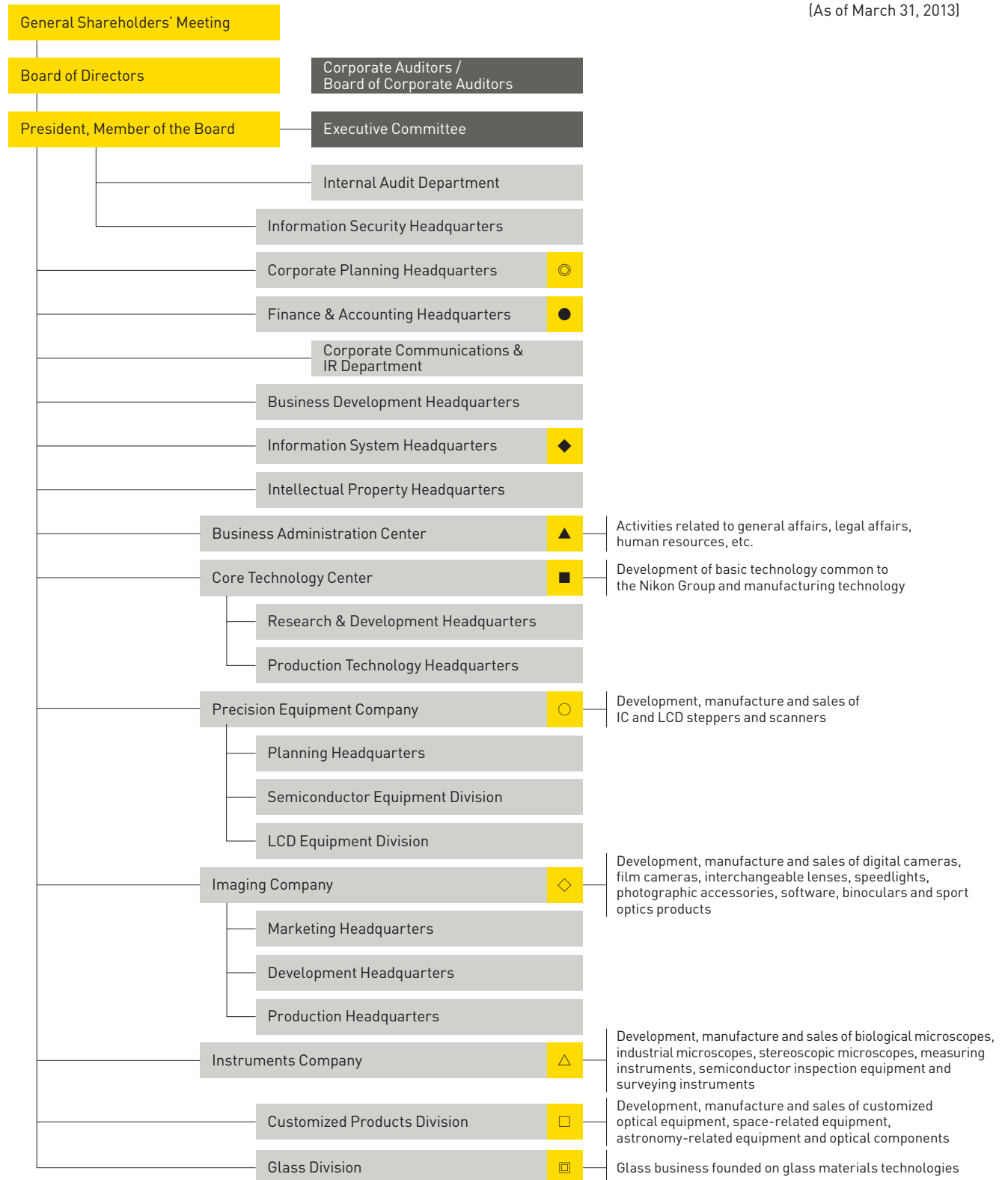
Deloitte Touche Tohmatsu LLC

June 27, 2013

Member of
Deloitte Touche Tohmatsu Limited

ORGANIZATION OF THE NIKON GROUP

(As of March 31, 2013)



Note: Symbols next to division names (○, ●, ◆, ▲, □, ◻, etc.) indicate affiliated companies. The symbols can be matched with those on the list of Nikon Group Companies (P62-63) to determine which company is affiliated with which division.

NIKON GROUP COMPANIES

[★ Consolidated as of March 31, 2013]

Europe

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

Asia–Oceania and the Middle East

- ★ **Nikon Holdings Hong Kong Limited**
Promotion of CSR and Internal Audit to affiliates in Asia and Oceania
- ★ **Nikon Precision Korea Ltd.**
Maintenance and servicing of IC/LCD steppers and scanners
- ★ **Nikon Precision Taiwan Ltd.**
Maintenance and servicing of IC/LCD steppers and scanners
- ★ **Nikon Precision Singapore Pte Ltd**
Maintenance and servicing of IC/LCD steppers and scanners
- ★ **Nikon Precision Shanghai Co., Ltd.**
Maintenance and servicing of IC/LCD steppers and scanners
- ◇ ★ **Nikon Hong Kong Ltd.**
Import, sales and servicing of cameras
- ◇ ★ **Nikon Singapore Pte Ltd**
Import, sales and servicing of cameras, microscopes and measuring instruments
- ◇ ★ **Nikon (Malaysia) Sdn. Bhd.**
Support for sales and servicing of cameras, microscopes and measuring instruments
- ◇ ★ **Nikon Imaging (China) Sales Co., Ltd.**
Import, sales and servicing of cameras
- ◇ ★ **Nikon Australia Pty Ltd**
Import, sales and servicing of cameras
- ◇ ★ **Nikon India Private Limited**
Import, sales and servicing of cameras, and maintenance and servicing of measuring instruments
- ◇ **Nikon Sales (Thailand) Co., Ltd.**
Import, sales and servicing of cameras
- ◇ **Nikon Middle East FZE**
Import, sales and servicing of cameras in the Middle East, Africa, and Western and Southern Asia
- ◇ **P.T. Nikon Indonesia**
Import, sales and servicing of cameras
- ◇ ★ **Nikon Imaging Korea Co., Ltd.**
Import, sales and servicing of cameras
- ◇ ★ **Nikon (Thailand) Co., Ltd.**
Manufacture of digital cameras, interchangeable lenses and digital camera components
- ◇ ★ **Nikon Imaging (China) Co., Ltd.**
Manufacture of digital cameras and digital camera components
- ◇ **Nikon Lao Co., Ltd.**
(Operations are scheduled to commence in October 2013)
Assembly of digital SLR camera units
- ◇ **Nikon International Trading (Shenzhen) Co., Ltd.**
Procurement of parts for digital cameras
- ◇ **Guang Dong Nikon Camera Co., Ltd.**
Manufacture of digital camera components
- ◇ **Hang Zhou Nikon Camera Co., Ltd.**
Manufacture of digital camera components
- △ ★ **Nikon Instruments (Shanghai) Co., Ltd.**
Marketing, maintenance and servicing of microscopes and measuring instruments
- △ ★ **Nikon Instruments Korea Co., Ltd.**
Sales, maintenance and servicing of microscopes and measuring instruments
- △ **Nanjing Nikon Jiangnan Optical Instrument Co., Ltd.**
Manufacture of microscopes and objective lenses for microscopes

Domestic

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

*Nikon-Essilor Co., Ltd. and Nikon-Trimble Co., Ltd. are equity-method companies.

The Americas

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

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

(As of March 31, 2013)

DIRECTORS, AUDITORS AND OFFICERS

Board of Directors

Makoto Kimura

Representative Director, President,
Member of the Board

Junichi Itoh

Representative Director,
Member of the Board

Kazuo Ushida

Representative Director,
Member of the Board

Toshiyuki Masai

Director, Member of the Board

Yasuyuki Okamoto

Director, Member of the Board

Norio Hashizume

Director, Member of the Board

Hiroshi Ohki

Director, Member of the Board

Kenichi Kanazawa

Director, Member of the Board

Kenji Matsuo

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

Koukei Higuchi

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

Corporate Auditors

Yoshimichi Kawai

Standing Corporate Auditor

Yoshiyuki Nagai

Standing Corporate Auditor

Susumu Kani

Corporate Auditor
(Corporate Advisor of Mitsubishi Corporation)

Haruya Uehara

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

Hiroshi Hataguchi

Corporate Auditor
(Attorney at law)

Officers

Makoto Kimura

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

Junichi Itoh

Executive Vice President & CFO
Assistant of President, Officer in charge of
Corporate Planning Headquarters, Finance
& Accounting Headquarters and Information
Security Headquarters, Officer overseeing
Internal Audit Department

Kazuo Ushida

Executive Vice President
President of Precision Equipment Company,
Officer in charge of Intellectual Property
Headquarters, Vice Officer in charge of
Corporate Planning Headquarters

Toshiyuki Masai

Executive Officer
President of Instruments Company

Yasuyuki Okamoto

Executive Officer
President of Imaging Company

Norio Hashizume

Executive Officer
General Manager of Finance & Accounting
Headquarters

Kunio Kawabata

Executive Officer
Vice President of Precision Equipment
Company, Officer overseeing Glass Division

Hiroshi Ohki

Executive Officer
President of Core Technology Center, Officer
overseeing Customized Products Division

Takaharu Honda

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

Kenichi Kanazawa

Executive Officer
President of Business Administration Center
& General Manager of Information Security
Headquarters, Officer in charge of Information
System Headquarters and Manufacturing
Reform Project

Toshikazu Umatate

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

Tsuneo Kosaka

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

Tomohide Hamada

Executive Officer
General Manager of LCD Equipment Division,
Precision Equipment Company

Kazuyuki Kazami

Operating Officer
General Manager of Business Development
Headquarters

Tsuneyoshi Kon

Operating Officer
Vice President of Business Administration
Center

Nobuyoshi Gokyu

Operating Officer
President & CEO of Nikon Inc.

Masao Nakajima

Operating Officer
General Manager of Production Headquarters,
Semiconductor Equipment Division, Precision
Equipment Company

Osamu Shimoda

Operating Officer
Deputy General Manager of Business
Development Headquarters

Toru Iwaoka

Operating Officer
General Manager of Marketing Headquarters,
Imaging Company

Kenji Yoshikawa

Operating Officer
Chairman & CEO of Nikon Metrology NV

Atsumi Nakamura

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

Takumi Odajima

Operating Officer
General Manager of Planning Headquarters,
Precision Equipment Company

Jun Nagatsuka

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

(As of June 27, 2013)

INVESTOR INFORMATION

Nikon Corporation

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

Date of Establishment

July 25, 1917

Number of Employees

24,047 (Consolidated)

Capital

¥65,475 million

Stock Status

Total number of authorized
to be issued:

1,000,000,000 shares

Number of shares issued:

400,878,921 shares

Number of Shareholders

34,350

Financial Instruments

Exchange Listing

Tokyo Stock Exchange
(Ticker Symbol: 7731)

Share Registrar

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

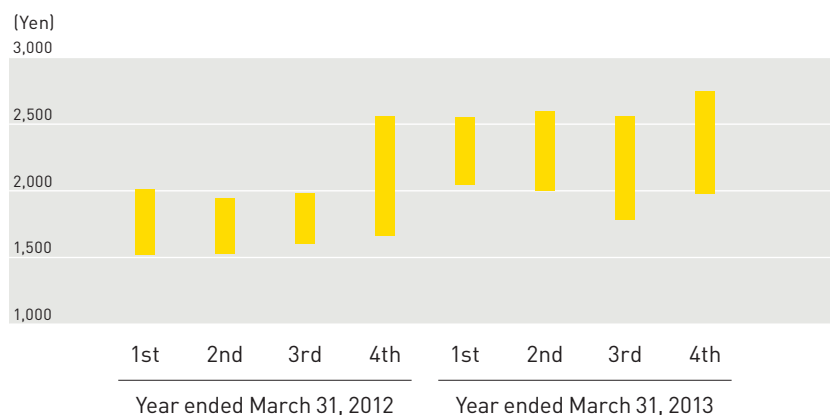
[As of March 31, 2013]

Major Shareholders

Name of shareholder	Number of shares held (thousands)	Percentage of total shares issued
Japan Trustee Services Bank, Ltd. (Trust Account)	29,054	7.33
The Master Trust Bank of Japan, Ltd. (Trust Account)	28,474	7.18
JPMorgan Chase Bank 380055	25,603	6.46
Meiji Yasuda Life Insurance Company	20,565	5.19
State Street Bank and Trust Company	18,348	4.63
Tokio Marine & Nichido Fire Insurance Co., Ltd.	8,054	2.03
NIPPON LIFE INSURANCE COMPANY	7,893	1.99
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	7,389	1.86
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	7,378	1.86
The Joyo Bank, Ltd.	6,801	1.71

Notes: 1. The ratio of shareholding is calculated by deducting treasury stock of 4,279,760 shares and rounding off to the nearest thousandth.
2. Number of shares held is truncated to the unit indicated.

Price Range of Common Stock



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

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



NIKON CORPORATION
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